

**COMMUNITY FOUNDATION OF
GREATER NEW BRITAIN**

Financial Statements

December 31, 2018 and 2017



ASSURANCE | ADVISORY | TAX | TECHNOLOGY

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN

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December 31, 2018 and 2017

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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, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, 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, 2018 and 2017, 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, 2018 on page 17 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 cursive script that reads "Whittlesey PC".

Hartford, Connecticut
May 22, 2019

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN

Statements of Financial Position

December 31, 2018 and 2017

| | 2018 | 2017 |
|---|-----------------------------|-----------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,702,656 | \$ 1,512,153 |
| Investments held for Community Chest of New Britain and Berlin, Inc. | 49,467 | 53,800 |
| Contributions receivable | 11,803 | 404 |
| Prepaid expenses | 11,836 | 16,093 |
| Total current assets | <u>1,775,762</u> | <u>1,582,450</u> |
| Other assets: | | |
| Investments | 40,469,886 | 45,607,195 |
| Split-interest agreements | 59,655 | 78,433 |
| Total investments | <u>40,529,541</u> | <u>45,685,628</u> |
| Property, plant and equipment, net | 440,254 | 459,645 |
| Total other assets | <u>40,969,795</u> | <u>46,145,273</u> |
| Total assets | <u><u>\$ 42,745,557</u></u> | <u><u>\$ 47,727,723</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 70,507 | \$ 63,474 |
| Grants payable | 231,480 | 366,395 |
| Due to Community Chest of New Britain and Berlin, Inc. | 49,467 | 53,800 |
| Total current liabilities | <u>351,454</u> | <u>483,669</u> |
| Long-term liabilities: | | |
| Liability under charitable gift annuities | 19,242 | 29,689 |
| Agency endowments | 6,038,195 | 6,792,108 |
| Total long-term liabilities | <u>6,057,437</u> | <u>6,821,797</u> |
| Total liabilities | <u>6,408,891</u> | <u>7,305,466</u> |
| Net assets: | | |
| Without donor restrictions | 36,243,945 | 40,329,925 |
| With donor restrictions | 92,721 | 92,332 |
| Total net assets | <u>36,336,666</u> | <u>40,422,257</u> |
| Total liabilities and net assets | <u><u>\$ 42,745,557</u></u> | <u><u>\$ 47,727,723</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, 2018 and 2017

| | 2018 | | | 2017 | | |
|--|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and Revenues | | | | | | |
| Support: | | | | | | |
| Gifts and contributions received | \$ 1,136,375 | \$ 64,205 | \$ 1,200,580 | \$ 1,055,035 | \$ 51,150 | \$ 1,106,185 |
| Less: agency endowment gifts | (22,020) | - | (22,020) | (390,550) | - | (390,550) |
| Total gifts and contributions received | <u>1,114,355</u> | <u>64,205</u> | <u>1,178,560</u> | <u>664,485</u> | <u>51,150</u> | <u>715,635</u> |
| Revenues: | | | | | | |
| Miscellaneous revenue | 69,504 | - | 69,504 | 61,022 | - | 61,022 |
| Rent revenue | 50,798 | - | 50,798 | 50,926 | - | 50,926 |
| Realized and unrealized gains/(losses) on investments, net | (4,010,894) | - | (4,010,894) | 5,085,438 | - | 5,085,438 |
| Interest and dividends | 1,224,602 | - | 1,224,602 | 942,833 | - | 942,833 |
| Investment and trustee fees | (204,643) | - | (204,643) | (219,847) | - | (219,847) |
| Change in split-interest agreements | - | (8,331) | (8,331) | - | 10,714 | 10,714 |
| Total revenues | <u>(2,870,633)</u> | <u>(8,331)</u> | <u>(2,878,964)</u> | <u>5,920,372</u> | <u>10,714</u> | <u>5,931,086</u> |
| Net assets released from restrictions | 55,485 | (55,485) | - | 60,140 | (60,140) | - |
| Total support and revenues | <u>(1,700,793)</u> | <u>389</u> | <u>(1,700,404)</u> | <u>6,644,997</u> | <u>1,724</u> | <u>6,646,721</u> |
| Operating Expenses | | | | | | |
| Program | 1,737,796 | - | 1,737,796 | 1,594,311 | - | 1,594,311 |
| Management & general | 547,968 | - | 547,968 | 523,837 | - | 523,837 |
| Development | 99,423 | - | 99,423 | 45,455 | - | 45,455 |
| Total operating expenses | <u>2,385,187</u> | <u>-</u> | <u>2,385,187</u> | <u>2,163,603</u> | <u>-</u> | <u>2,163,603</u> |
| Other Income/(Expense) | | | | | | |
| Transfer of fiscal intermediary assets | - | - | - | (8,114) | - | (8,114) |
| Change in net assets | (4,085,980) | 389 | (4,085,591) | 4,473,280 | 1,724 | 4,475,004 |
| Net assets, beginning of year | 40,329,925 | 92,332 | 40,422,257 | 35,856,645 | 90,608 | 35,947,253 |
| Net assets, end of year | <u>\$ 36,243,945</u> | <u>\$ 92,721</u> | <u>\$ 36,336,666</u> | <u>\$ 40,329,925</u> | <u>\$ 92,332</u> | <u>\$ 40,422,257</u> |

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

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN

Statements of Functional Expenses

For the years ended December 31, 2018 and 2017

| | 2018 | | | | 2017 | | | |
|---|--------------|-------------------------|-------------|--------------|--------------|-------------------------|-------------|--------------|
| | Program | Management & General | Development | Total | Program | Management & General | Development | Total |
| Total grants and scholarships | \$ 1,324,215 | \$ - | \$ - | \$ 1,324,215 | \$ 1,120,532 | \$ - | \$ - | \$ 1,120,532 |
| Other expenses: | | | | | | | | |
| Salaries and wages | 183,389 | 277,805 | 41,873 | 503,067 | 243,655 | 257,124 | 18,255 | 519,034 |
| Employee benefits | 39,952 | 68,889 | 3,077 | 111,918 | 50,106 | 62,904 | 1,582 | 114,592 |
| Consulting | 49,875 | - | 29,025 | 78,900 | 67,082 | - | 12,000 | 79,082 |
| Building-related costs | 15,041 | 64,043 | 3,434 | 82,518 | 18,489 | 58,895 | 1,385 | 78,769 |
| Payroll taxes | 14,733 | 22,300 | 3,480 | 40,513 | 21,017 | 22,540 | 1,423 | 44,980 |
| Program expense | 21,109 | - | - | 21,109 | 4,068 | - | - | 4,068 |
| Legal, accounting and professional fees | 61,226 | 25,296 | - | 86,522 | 46,258 | 25,500 | - | 71,758 |
| Miscellaneous | 1,221 | 5,138 | 67 | 6,426 | 904 | 2,231 | - | 3,135 |
| Printing and publications | 11,651 | 7,937 | 12,433 | 32,021 | 4,448 | 1,150 | 7,139 | 12,737 |
| Conferences, conventions and meetings | 6,576 | 3,739 | 3,562 | 13,877 | 9,217 | 5,457 | 376 | 15,050 |
| Depreciation | - | 8,678 | - | 8,678 | - | 6,638 | - | 6,638 |
| Computer software and support | - | 36,516 | - | 36,516 | 432 | 35,054 | - | 35,486 |
| Office expense | 2,222 | 19,547 | 1,688 | 23,457 | 2,746 | 21,915 | 968 | 25,629 |
| Travel | 2,513 | 606 | 389 | 3,508 | 2,054 | 234 | 75 | 2,363 |
| Insurance | 1,196 | 4,239 | - | 5,435 | 1,300 | 4,254 | - | 5,554 |
| Membership dues and subscriptions | 461 | 2,377 | 395 | 3,233 | 823 | 1,565 | - | 2,388 |
| Events | 2,076 | - | - | 2,076 | - | 17,008 | 2,252 | 19,260 |
| Website | 340 | 858 | - | 1,198 | 1,180 | 1,368 | - | 2,548 |
| Total other expenses | 413,581 | 547,968 | 99,423 | 1,060,972 | 473,779 | 523,837 | 45,455 | 1,043,071 |
| Total expenses | \$ 1,737,796 | \$ 547,968 | \$ 99,423 | \$ 2,385,187 | \$ 1,594,311 | \$ 523,837 | \$ 45,455 | \$ 2,163,603 |

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN

Statements of Cash Flows

December 31, 2018 and 2017

| | 2018 | 2017 |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets: | \$ (4,085,591) | \$ 4,475,004 |
| Adjustments to reconcile change in net assets to net change in cash from operating activities: | | |
| Depreciation | 39,516 | 36,779 |
| Realized gains on investments, net | (1,063,138) | (644,875) |
| Unrealized (gains)/losses on investments, net | 5,074,032 | (4,440,563) |
| Loss on disposal of property and equipment | - | 3,061 |
| (Increase)/decrease in assets: | | |
| Contributions receivable | (11,399) | 24,806 |
| Prepaid expenses | 4,257 | 1,305 |
| Increase/(decrease) in liabilities: | | |
| Accounts payable and accrued expenses | 7,033 | 14,258 |
| Grants payable | (134,915) | 239,401 |
| Liability under charitable gift annuities | (10,447) | (9,897) |
| Agency endowments | (753,913) | 1,129,679 |
| Net change in cash from operating activities | <u>(934,565)</u> | <u>828,958</u> |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments | 9,408,053 | 5,762,830 |
| Purchase of investments | (8,262,860) | (6,275,387) |
| Purchase of property and equipment | (20,125) | (23,662) |
| Net change in cash from investing activities | <u>1,125,068</u> | <u>(536,219)</u> |
| Net change in cash and cash equivalents | 190,503 | 292,739 |
| Cash and cash equivalents, beginning of year | <u>1,512,153</u> | <u>1,219,414</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,702,656</u> | <u>\$ 1,512,153</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, 2018 and 2017

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 two classifications:

Without donor restrictions – These net assets are defined as assets that are free of donor-imposed stipulations and include all investment income and appreciation not subject to donor-imposed stipulations. The Foundation's financial statements classify substantially all funds, including the corpus of endowment funds, as without donor stipulations.

With donor restrictions – 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.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, either when a time restriction ends or a purpose restriction is accomplished, new assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets without donor restrictions. The Board of Directors of the Foundation has that ability known as variance power. The Board of Directors has adopted a policy describing the criteria and limited circumstances under which the Foundation would exercise this power. Accordingly, the Foundation's financial statements classify substantially all funds, including the corpus of endowment funds, as net assets without donor restrictions, 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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. |

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2018, 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, 2017. This calculation is used to protect funds from declines in real value during down markets. The amount available for spending was \$2,164,419 and \$2,075,123 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, total expenses for the Foundation amounted to \$2,385,187 and \$2,163,603, 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.

Functional Expenses – The statements of activities and changes in net assets present expenses by natural classification. The Foundation also summarizes its expenses by functional classification in the statements of functional expenses.

Grants and scholarships awarded are allocated to program services. Salaries, wages and benefits are charged directly to the program for which work has been done based on management estimates. Overhead is based on staff allocation to functional areas. Operation and maintenance of property and plant are allocated based on square footage. Depreciation expense is allocated based on the functional classification of the assets in use.

Subsequent Events – The Foundation monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for fiscal year 2018 through May 22, 2019, the date on which the financial statements were available to be issued.

Future Accounting Pronouncement – 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, 2019.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Pronouncement – For the year ended December 31, 2018, the Organization adopted the Financial Accounting Standard Board’s Accounting Standards Update (“ASU”) No. 2016-14 – Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. This updated addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Reclassifications – Certain reclassifications have been made to 2017 information to conform to the 2018 presentation.

NOTE 2 – LIQUIDITY

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

Financial assets available within one year:

| | |
|--|-------------------|
| Cash and cash equivalents | \$ 1,702,656 |
| Contributions receivable | 11,803 |
| Investments | 40,469,886 |
| Total financial assets available within one year | <u>42,184,345</u> |

Less: Amounts unavailable for general expenditures within one year, due to:

| | |
|--|---------------------|
| Restricted by donors with purpose restrictions | (92,721) |
| Agency funds | (6,038,195) |
| Quasi-endowment | <u>(34,431,691)</u> |
| Total amounts unavailable for general expenditures within one year | <u>(40,562,607)</u> |

| | |
|---|------------------|
| | 1,621,738 |
| Spending policy amount expected to be available for use | <u>2,000,000</u> |

| | |
|---|---------------------|
| Total financial assets available to management for general expenditures within one year | <u>\$ 3,621,738</u> |
|---|---------------------|

The Foundation has net assets without donor restrictions totaling \$19,563,090 that could be made available by a vote of the board of directors.

NOTE 3 – 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, 2018 and 2017 were \$6,038,195 and \$6,792,108, respectively.

NOTE 4 – 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 2018 or 2017 and therefore no remaining assets reverted to the Foundation.

NOTE 5 – INVESTMENTS

The following table presents the assets measured at fair value as of December 31, 2018:

| | Level 1 | Level 2 | Level 3 | Fair Value |
|----------------------------------|---------------------|-------------|---------------------|---------------------|
| Short-term investments | \$ 156,067 | \$ - | \$ - | \$ 156,067 |
| Mutual funds | 36,485,401 | - | - | 36,485,401 |
| Exchange traded funds | 128,456 | - | - | 128,456 |
| Hedge funds | - | - | 3,342,596 | 3,342,596 |
| Private equity fund | - | - | 417,021 | 417,021 |
| Total investments, at fair value | <u>\$36,769,924</u> | <u>\$ -</u> | <u>\$ 3,759,617</u> | <u>\$40,529,541</u> |

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 | <u>33,435,739</u> | <u>-</u> | <u>2,272,424</u> | <u>35,708,163</u> |
| Investments measured at NAV | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,977,465</u> |
| Total investments, at fair value | <u>\$33,435,739</u> | <u>\$ -</u> | <u>\$ 2,272,424</u> | <u>\$45,685,628</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.

NOTE 5 – INVESTMENTS (CONTINUED)

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 Funds | Hedge Funds | Total |
|----------------------------|-------------------------|---------------------|---------------------|
| Balance, January 1, 2018 | \$ 128,789 | \$ 2,143,635 | \$ 2,272,424 |
| Unrealized gains/(losses) | 31,075 | 148,961 | 180,036 |
| Additions | 257,157 | 1,050,000 | 1,307,157 |
| Balance, December 31, 2018 | <u>\$ 417,021</u> | <u>\$ 3,342,596</u> | <u>\$ 3,759,617</u> |

NOTE 6 – 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.

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

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|----------------------|
| Balance as of January 1, 2017 | \$ 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 | 45,607,195 | 78,433 | 45,685,628 |
| Interest and dividends, net of investment fees | 1,013,407 | - | 1,013,407 |
| Net depreciation | (4,010,894) | - | (4,010,894) |
| Additions | 1,178,560 | - | 1,178,560 |
| Amounts appropriated for expenditure | (3,318,382) | (12,251) | (3,330,633) |
| Change in split-interest agreements | - | (6,527) | (6,527) |
| Balance as of December 31, 2018 | <u>\$ 40,469,886</u> | <u>\$ 59,655</u> | <u>\$ 40,529,541</u> |

The interest and dividends, net of investment expenses, above, does not include interest on unendowed funds. Interest on unendowed funds were \$6,552 and \$6,796 for the years ended December 31, 2018 and 2017, respectively.

As of December 31, 2018 there were forty seven funds with market values that were less than their historic gift amount. Historic gift amounts for these funds totaled \$5,975,637 and market value totaled \$5,630,967.

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

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

| | 2018 | | |
|-------------------------|-------------------|-----------------------------|-------------------|
| | Cost | Accumulated Depreciation | Net Book Value |
| Land and building | \$ 773,576 | \$ 357,359 | \$ 416,217 |
| Furniture and equipment | 88,987 | 64,950 | 24,037 |
| Total | <u>\$ 862,563</u> | <u>\$ 422,309</u> | <u>\$ 440,254</u> |

| | 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> |

NOTE 8 – NET ASSETS

Net assets without donor restrictions represent contributions, gifts, management fees and income from investments that can be used for the general purpose of the Foundation. Designations of net assets without donor restrictions by the Board of Directors are recorded as without restriction funds because such designations can be changed at the will of the Board.

Net assets without donor restrictions are comprised as follows at December 31,:

| | 2018 | 2017 |
|---|----------------------|----------------------|
| Discretionary funds | \$ 19,563,090 | \$ 22,572,774 |
| Field of interest funds | 3,220,279 | 3,601,125 |
| Donor advised funds | 1,858,712 | 1,863,069 |
| Scholarship funds | 6,569,247 | 6,625,741 |
| Donor designated funds | <u>5,032,617</u> | <u>5,667,216</u> |
| Total net assets without donor restrictions | <u>\$ 36,243,945</u> | <u>\$ 40,329,925</u> |

Net assets with donor restrictions represent contributions, gifts and income from investments that can be used for the purposes specified by the donor.

NOTE 8 – NET ASSETS (CONTINUED)

Net assets with donor restrictions are comprised as follows at December 31,:

| | 2018 | | | |
|----------------------------|------------------|------------------|--------------------|------------------|
| | Beginning | Additions | Release | Ending |
| Related program activities | \$ 43,588 | \$ 64,205 | \$ (55,485) | \$ 52,308 |
| Charitable gift annuities | 48,744 | (8,331) | - | 40,413 |
| Total | <u>\$ 92,332</u> | <u>\$ 55,874</u> | <u>\$ (55,485)</u> | <u>\$ 92,721</u> |

| | 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> |

NOTE 9 – 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 \$99,423 and \$45,455 for the years ended December 31, 2018 and 2017, respectively.

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.

NOTE 9 – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (CONTINUED)

Related Program Activities Administered by the Foundation

The Foundation is the fiscal agent for the Early Childhood Collaborative of Southington. As of December 31, 2018 and 2017, net assets of this fund totaled \$52,308 and \$43,588, respectively. Contributions recognized on behalf of this organization were \$64,205 and \$51,150 for the years ended December 31, 2018 and 2017, respectively, which includes contributions made from the Foundation of \$32,145 and \$10,000, for the years ended December 31, 2018 and 2017, respectively. Expenses recognized on behalf of the organization were \$55,485 and \$60,140.

NOTE 10 – 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, 2018 and 2017, respectively, were \$7,408,322 and \$7,702,471, of which \$4,764,522 and \$5,386,369 as of December 31, 2018 and 2017, respectively, is in the name of the Foundation. However, CCNBB has the right to request \$49,467 and \$53,800 from these funds, as of December 31, 2018 and 2017, 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 \$51,656 and \$44,864 for the years ended December 31, 2018 and 2017, respectively.

NOTE 11 – 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 \$38,447 and \$45,551 for the years ended December 31, 2018 and 2017, respectively.

NOTE 12 – COMMITMENTS

Operating Lease

The Foundation entered into various leases that expire through 2023. Operating lease expense was \$3,241 and \$3,487 for the years ended December 31, 2018 and 2017, respectively. The future minimum rental expense payments under the leases are as follows for the years ending December 31,:

| | | |
|------|----|-------|
| 2019 | \$ | 3,448 |
| 2020 | | 3,448 |
| 2021 | | 3,448 |
| 2022 | | 2,793 |
| 2023 | | 414 |

NOTE 12 – COMMITMENTS (*CONTINUED*)

Rental Income

The Foundation has various real estate operating leases for different portions of the building that expire through 2024.

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

| | | |
|------|----|--------|
| 2019 | \$ | 50,772 |
| 2020 | | 51,202 |
| 2021 | | 48,121 |
| 2022 | | 37,441 |
| 2023 | | 38,442 |

Unfunded Commitment

The Foundation invests in a private equity fund. As of December 31, 2018, the unfunded capital commitment for the fund is \$600,000.

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN AND AFFILIATES

Schedule of Program and Supporting Services Expenses

For the year ended December 31, 2018
(with comparative totals for the year ended December 31, 2017)

| | 2018 | | | | | | | | 2017 |
|---|----------------------------|--------------------------------|------------------|-----------------------|---------------------|----------------------|-------------|---------------------------|--------------|
| | Related Program Activities | | | | Supporting Services | | | | |
| | Grantmaking | Early Childhood Collaboratives | Special Programs | Total Related Program | Total Program | Management & General | Development | Total Supporting Services | Total |
| Grants awarded | \$ 1,324,011 | \$ - | \$ - | \$ - | \$ 1,324,011 | \$ - | \$ - | \$ - | \$ 1,324,011 |
| Less: agency endowments | (199,340) | - | - | - | (199,340) | - | - | - | (199,340) |
| Net grants awarded | 1,124,671 | - | - | - | 1,124,671 | - | - | - | 923,417 |
| Scholarships awarded | 199,544 | - | - | - | 199,544 | - | - | - | 197,115 |
| Total grants and scholarships | 1,324,215 | - | - | - | 1,324,215 | - | - | - | 1,120,532 |
| Other expenses: | | | | | | | | | |
| Salaries and wages | 183,389 | - | - | - | 183,389 | 277,805 | 41,873 | 319,678 | 519,034 |
| Employee benefits | 39,952 | - | - | - | 39,952 | 68,889 | 3,077 | 71,966 | 114,592 |
| Consulting | 8,250 | 41,625 | - | 41,625 | 49,875 | - | 29,025 | 29,025 | 78,900 |
| Building-related costs | 15,041 | - | - | - | 15,041 | 64,043 | 3,434 | 67,477 | 82,518 |
| Payroll taxes | 14,733 | - | - | - | 14,733 | 22,300 | 3,480 | 25,780 | 40,513 |
| Program expense | 4,654 | 6,495 | 9,960 | 16,455 | 21,109 | - | - | - | 4,068 |
| Legal, accounting and professional fees | 35,976 | - | 25,250 | 25,250 | 61,226 | 25,296 | - | 25,296 | 86,522 |
| Miscellaneous | 1,221 | - | - | - | 1,221 | 5,138 | 67 | 5,205 | 6,426 |
| Printing and publications | 5,078 | 438 | 6,135 | 6,573 | 11,651 | 7,937 | 12,433 | 20,370 | 32,021 |
| Conferences, conventions and meetings | 3,670 | 2,456 | 450 | 2,906 | 6,576 | 3,739 | 3,562 | 7,301 | 13,877 |
| Depreciation | - | - | - | - | - | 8,678 | - | 8,678 | 8,678 |
| Computer software and support | - | - | - | - | - | 36,516 | - | 36,516 | 36,516 |
| Office expense | 2,115 | 107 | - | 107 | 2,222 | 19,547 | 1,688 | 21,235 | 23,457 |
| Travel | 1,486 | 897 | 130 | 1,027 | 2,513 | 606 | 389 | 995 | 3,508 |
| Insurance | - | 1,195 | 1 | 1,196 | 1,196 | 4,239 | - | 4,239 | 5,435 |
| Membership dues and subscriptions | - | 332 | 129 | 461 | 461 | 2,377 | 395 | 2,772 | 3,233 |
| Events | - | - | 2,076 | 2,076 | 2,076 | - | - | - | 2,076 |
| Website | - | 340 | - | 340 | 340 | 858 | - | 858 | 1,198 |
| Total other expenses | 315,565 | 53,885 | 44,131 | 98,016 | 413,581 | 547,968 | 99,423 | 647,391 | 1,043,071 |
| Total expenses | \$ 1,639,780 | \$ 53,885 | \$ 44,131 | \$ 98,016 | \$ 1,737,796 | \$ 547,968 | \$ 99,423 | \$ 647,391 | \$ 2,385,187 |

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