

**COMMUNITY FOUNDATION OF  
GREATER NEW BRITAIN**

Independent Auditors' Report  
Financial Statements

December 31, 2022 and 2021



ASSURANCE | ADVISORY | TAX | TECHNOLOGY

# COMMUNITY FOUNDATION OF GREATER NEW BRITAIN

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December 31, 2022 and 2021

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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

We have audited the accompanying financial statements of Community Foundation of Greater New Britain (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, 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.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

Hartford, Connecticut  
May 16, 2023

# COMMUNITY FOUNDATION OF GREATER NEW BRITAIN

## Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 450,797	\$ 1,049,282
Contributions receivable	100	20,653
Prepaid expenses	23,306	16,454
Total current assets	<u>474,203</u>	<u>1,086,389</u>
Other assets:		
Investments	50,731,725	59,545,999
Split-interest agreements	4,607	31,718
Total investments	<u>50,736,332</u>	<u>59,577,717</u>
Property, plant and equipment, net	<u>371,652</u>	<u>379,686</u>
Total other assets	<u>51,107,984</u>	<u>59,957,403</u>
Total assets	<u><u>\$ 51,582,187</u></u>	<u><u>\$ 61,043,792</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 96,929	\$ 80,284
Grants payable	324,419	97,561
Total current liabilities	<u>421,348</u>	<u>177,845</u>
Long-term liabilities:		
Liability under charitable gift annuities	945	2,610
Agency endowments	7,240,940	8,631,579
Total long-term liabilities	<u>7,241,885</u>	<u>8,634,189</u>
Total liabilities	<u>7,663,233</u>	<u>8,812,034</u>
Net assets:		
Without donor restrictions	43,848,282	52,117,187
With donor restrictions	70,672	114,571
Total net assets	<u>43,918,954</u>	<u>52,231,758</u>
Total liabilities and net assets	<u><u>\$ 51,582,187</u></u>	<u><u>\$ 61,043,792</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, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues</b>						
Support:						
Gifts and contributions	\$ 1,242,232	\$ 69,642	\$ 1,311,874	\$ 985,917	\$ 105,191	\$ 1,091,108
Less: agency endowment gifts	(77,838)	-	(77,838)	(309,811)	-	(309,811)
Total gifts and contributions	1,164,394	69,642	1,234,036	676,106	105,191	781,297
Revenues:						
Realized and unrealized gains/(losses) on investments	(8,000,467)	-	(8,000,467)	5,095,169	-	5,095,169
Interest and dividends, net of investment fees	1,154,788	-	1,154,788	1,338,716	-	1,338,716
Change in value of split-interest agreements	-	(25,446)	(25,446)	-	(13,161)	(13,161)
Miscellaneous revenue	81,128	-	81,128	64,002	-	64,002
Rent revenue	45,602	-	45,602	56,296	-	56,296
Paycheck Protection Program	-	-	-	102,298	-	102,298
Total revenues	(6,718,949)	(25,446)	(6,744,395)	6,656,481	(13,161)	6,643,320
Net assets released from restrictions	88,095	(88,095)	-	64,929	(64,929)	-
Total support and revenues	(5,466,460)	(43,899)	(5,510,359)	7,397,516	27,101	7,424,617
<b>Operating Expenses</b>						
Program	2,120,634	-	2,120,634	1,782,327	-	1,782,327
Management and general	632,215	-	632,215	616,263	-	616,263
Development	49,596	-	49,596	32,767	-	32,767
Total operating expenses	2,802,445	-	2,802,445	2,431,357	-	2,431,357
Change in net assets	(8,268,905)	(43,899)	(8,312,804)	4,966,159	27,101	4,993,260
Net assets, beginning of year	52,117,187	114,571	52,231,758	47,151,028	87,470	47,238,498
Net assets, end of year	\$ 43,848,282	\$ 70,672	\$ 43,918,954	\$ 52,117,187	\$ 114,571	\$ 52,231,758

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, 2022 and 2021

	2022				2021			
	Program	Management and General	Development	Total	Program	Management and General	Development	Total
Grants awarded	\$ 1,574,315	\$ -	\$ -	\$ 1,574,315	\$ 1,248,698	\$ -	\$ -	\$ 1,248,698
Less: agency endowments	(249,170)	-	-	(249,170)	(246,220)	-	-	(246,220)
Net grants awarded	1,325,145	-	-	1,325,145	1,002,478	-	-	1,002,478
Scholarships awarded	300,278	-	-	300,278	300,439	-	-	300,439
Total grants and scholarships	1,625,423	-	-	1,625,423	1,302,917	-	-	1,302,917
Other expenses:								
Salaries and wages	272,989	312,965	30,775	616,729	277,354	306,824	15,827	600,005
Employee benefits	49,573	71,994	2,558	124,125	53,562	79,643	1,484	134,689
Consulting	58,846	1,080	-	59,926	47,390	-	-	47,390
Building-related costs	13,489	45,939	1,521	60,949	19,490	32,282	1,112	52,884
Payroll taxes	20,670	23,497	2,215	46,382	20,807	22,738	1,162	44,707
Program expense	28,115	-	-	28,115	21,678	-	-	21,678
Legal, accounting and professional fees	5,067	30,380	-	35,447	939	35,175	-	36,114
Miscellaneous	163	6,893	-	7,056	756	9,149	-	9,905
Printing and publications	9,139	30,926	3,665	43,730	7,391	52,350	5,107	64,848
Conferences, conventions and meetings	6,302	13,440	-	19,742	4,542	6,117	1,040	11,699
Depreciation	7,295	33,242	822	41,359	7,206	30,074	410	37,690
Computer software and support	13,019	34,767	6,175	53,961	8,371	17,210	5,227	30,808
Office expense	3,575	15,064	1,469	20,108	3,519	13,499	1,301	18,319
Travel	910	1,204	396	2,510	459	895	97	1,451
Insurance	1,917	6,832	-	8,749	478	6,170	-	6,648
Membership dues and subscriptions	3,802	3,133	-	6,935	4,208	2,301	-	6,509
Events	-	-	-	-	-	633	-	633
Website	340	859	-	1,199	1,260	1,203	-	2,463
Total other expenses	495,211	632,215	49,596	1,177,022	479,410	616,263	32,767	1,128,440
Total operating expenses	\$ 2,120,634	\$ 632,215	\$ 49,596	\$ 2,802,445	\$ 1,782,327	\$ 616,263	\$ 32,767	\$ 2,431,357

# COMMUNITY FOUNDATION OF GREATER NEW BRITAIN

## Statements of Cash Flows

December 31, 2022 and 2021

	2022	2021
<b>Cash flows from operating activities:</b>		
Change in net assets:	\$ (8,312,804)	\$ 4,993,260
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	41,359	37,690
Realized (gains)/losses on investments	109,426	(2,775,819)
Unrealized (gains)/losses on investments	7,891,041	(2,319,350)
Paycheck Protection Program forgiveness	-	(102,298)
(Increase)/decrease in assets:		
Contributions receivable	20,553	68,729
Prepaid expenses	(6,852)	8,770
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	16,645	12,618
Grants payable	226,858	(32,873)
Liability under charitable gift annuities	(1,665)	(3,275)
Agency endowments	(1,390,639)	1,088,719
Net change in cash from operating activities	<u>(1,406,078)</u>	<u>976,171</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	6,365,258	7,140,870
Purchase of investments	(5,524,340)	(7,906,810)
Purchase of property and equipment	(33,325)	(24,023)
Net change in cash from investing activities	<u>807,593</u>	<u>(789,963)</u>
Net change in cash and cash equivalents	(598,485)	186,208
Cash and cash equivalents, beginning of year	<u>1,049,282</u>	<u>863,074</u>
Cash and cash equivalents, end of year	<u><u>\$ 450,797</u></u>	<u><u>\$ 1,049,282</u></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, 2022 and 2021

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### NOTE 1 – ORGANIZATION AND 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 Board of Directors.

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.

Cash and Cash Equivalents – Cash equivalents include 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.

## NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Investments in hedge funds and private equity funds are valued at fair values that are not readily determinable. 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 5.5% 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.

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.

## NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 5.5% 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 2022, 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, 2021. This calculation is used to protect funds from declines in real value during down markets. The amount available for spending was \$2,703,552 and \$2,455,510 for the years ended December 31, 2022 and 2021, respectively. These amounts are available for grant making and administrative expenses to support the operation of the Foundation for that respective year. For the years ending December 31, 2022 and 2021, total expenses for the Foundation amounted to \$2,802,445 and \$2,431,357, respectively. Expenses in excess of spending policy limitations were funded by other revenue sources that were to be used towards the Foundation's operations.

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.

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.

Salaries, wages and benefits are charged directly to the program or supporting service for which work has been done based on management estimates. Overhead is based on staff allocation to functional areas. Building-related costs and depreciation are allocated based on square footage.

**NOTE 1 – ORGANIZATION AND 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.

Subsequent Events – The Foundation monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for the year ended December 31, 2022 through May 16, 2023, the date on which the financial statements were available to be issued.

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

The Foundation's financial assets available for general expenditure within one year of December 31, are as follows:

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 450,797	\$ 1,049,282
Contributions receivable	100	20,653
Investments	50,731,725	59,545,999
Total financial assets	<u>51,182,622</u>	<u>60,615,934</u>
Less: Amounts unavailable for general expenditure within one year:		
Restricted by donors with purpose restrictions	(67,010)	(85,463)
Agency funds	(7,240,940)	(8,631,579)
Quasi-endowment	<u>(43,490,785)</u>	<u>(50,914,420)</u>
Total amounts unavailable for general expenditure within one year	<u>(50,798,735)</u>	<u>(59,631,462)</u>
	383,887	984,472
Spending policy amount expected to be available for use	<u>2,661,000</u>	<u>2,470,000</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 3,044,887</u>	<u>\$ 3,454,472</u>

The Foundation has net assets without donor restrictions totaling \$21,481,218 that could be made available by a vote of the board of directors.

### NOTE 3 – INVESTMENTS

The following table presents the investments measured at fair value as of December 31, 2022:

	Level 1	Level 2	Level 3	Fair Value
Short-term investments	\$ 108,063	\$ -	\$ -	\$ 108,063
Mutual funds	41,366,193	-	-	41,366,193
Private equity fund	-	-	4,012,437	4,012,437
Total investments, at fair value	41,474,256	-	4,012,437	45,486,693
Hedge funds valued at NAV	-	-	-	5,249,639
Total investments	<u>\$ 41,474,256</u>	<u>\$ -</u>	<u>\$ 4,012,437</u>	<u>\$ 50,736,332</u>

The following table presents the investments measured at fair value as of December 31, 2021:

	Level 1	Level 2	Level 3	Fair Value
Short-term investments	\$ 369,317	\$ -	\$ -	\$ 369,317
Mutual funds	50,762,119	-	-	50,762,119
Private equity fund	-	-	2,931,883	2,931,883
Total investments, at fair value	51,131,436	-	2,931,883	54,063,319
Hedge funds valued at NAV	-	-	-	5,514,398
Total investments	<u>\$ 51,131,436</u>	<u>\$ -</u>	<u>\$ 2,931,883</u>	<u>\$ 59,577,717</u>

The Foundation invests in private equity funds. As of December 31, 2022 and 2021, the unfunded capital commitment for the funds was \$2,305,000 and \$3,215,000, respectively.

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.

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

*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.

**NOTE 3 – INVESTMENTS (CONTINUED)**

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

	Private Equity Funds
Balance, January 1, 2021	\$ 1,988,948
Unrealized gains	992,980
Transfers	<u>(50,045)</u>
Balance, December 31, 2021	2,931,883
Unrealized/realized gains	286,302
Transfers	894,209
Administrative fees	(40,749)
Distributions	<u>(59,208)</u>
Balance, December 31, 2022	<u><u>\$ 4,012,437</u></u>

**NOTE 4 – 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, 2021	\$ 53,668,454	\$ 48,154	\$ 53,716,608
Interest and dividends, net of investment fees	1,338,423	-	1,338,423
Net appreciation	5,095,169	-	5,095,169
Additions	781,297	-	781,297
Amounts appropriated for expenditure	(2,567,766)	(3,275)	(2,571,041)
Change in agency endowment	1,230,422	-	1,230,422
Change in split-interest agreements	<u>-</u>	<u>(13,161)</u>	<u>(13,161)</u>
Balance as of December 31, 2021	59,545,999	31,718	59,577,717
Interest and dividends, net of investment fees	1,154,543	-	1,154,543
Net depreciation	(8,000,467)	-	(8,000,467)
Additions	1,234,036	-	1,234,036
Amounts appropriated for expenditure	(1,642,495)	(1,665)	(1,644,160)
Change in agency endowment	(1,559,891)	-	(1,559,891)
Change in split-interest agreements	<u>-</u>	<u>(25,446)</u>	<u>(25,446)</u>
Balance as of December 31, 2022	<u><u>\$ 50,731,725</u></u>	<u><u>\$ 4,607</u></u>	<u><u>\$ 50,736,332</u></u>

**NOTE 4 – ENDOWMENT (CONTINUED)**

The interest and dividends, net of investment expenses, above, does not include interest on unendowed funds. Interest on unendowed funds were \$245 and \$293 for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021 there were 67 and 3 funds, respectively, with market values that were less than their historic gift amount. Historic gift amounts for the funds totaled \$8,820,608 and market value totaled \$8,247,240 as of December 31, 2022. Historic gift amounts for underwater funds as of December 31, 2021 totaled \$424,939 and market value totaled \$414,727.

**NOTE 5 – 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. Two annuity contracts matured in 2022 and three annuity contracts matured in 2021. During 2022 and 2021 assets of \$15,268 and \$14,523, respectively, were reverted to the Foundation.

**NOTE 6 – PROPERTY, PLANT AND EQUIPMENT**

The cost and accumulated depreciation of property, plant, and equipment are as follows as of December 31, 2022:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land and building	\$ 829,507	\$ 480,114	\$ 349,393
Furniture and equipment	<u>121,229</u>	<u>98,970</u>	<u>22,259</u>
Total	<u>\$ 950,736</u>	<u>\$ 579,084</u>	<u>\$ 371,652</u>

The cost and accumulated depreciation of property, plant, and equipment are as follows as of December 31, 2021:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land and building	\$ 811,404	\$ 448,126	\$ 363,278
Furniture and equipment	<u>106,979</u>	<u>90,571</u>	<u>16,408</u>
Total	<u>\$ 918,383</u>	<u>\$ 538,697</u>	<u>\$ 379,686</u>

## NOTE 7 – 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 with a corresponding liability. The agency endowment balances as of December 31, 2022 and 2021 were \$7,240,940 and \$8,631,579, respectively.

## 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 net assets without donor restrictions because such designations can be changed by a vote of the Board.

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

	<u>2022</u>	<u>2021</u>
Board designated discretionary funds	\$ 21,494,921	\$ 26,185,311
Field of interest funds	3,952,328	4,442,678
Donor advised funds	2,849,560	3,152,552
Scholarship funds	8,262,638	9,489,434
Donor designated funds	<u>7,288,835</u>	<u>8,847,212</u>
 Total net assets without donor restrictions	 <u><u>\$ 43,848,282</u></u>	 <u><u>\$ 52,117,187</u></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,:

	2022			
	Beginning	Additions	Release	Ending
Related program activities	\$ 85,463	\$ 69,642	\$ (88,095)	\$ 67,010
Charitable gift annuities	29,108	(25,446)	-	3,662
Total	<u>\$ 114,571</u>	<u>\$ 44,196</u>	<u>\$ (88,095)</u>	<u>\$ 70,672</u>
	2021			
	Beginning	Additions	Release	Ending
Related program activities	\$ 45,201	\$ 105,191	\$ (64,929)	\$ 85,463
Charitable gift annuities	42,269	(13,161)	-	29,108
Total	<u>\$ 87,470</u>	<u>\$ 92,030</u>	<u>\$ (64,929)</u>	<u>\$ 114,571</u>

**NOTE 9 – REFUNDABLE ADVANCE - PAYCHECK PROTECTION PROGRAM**

During May 2020, the Foundation received approval for a Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loan in the amount of \$102,298. Under the PPP, funds are forgivable if utilized for qualified expenditures according to the program criteria incurred over a period of eight to twenty four weeks following the date of funding. In order to qualify for forgiveness, at least 60% of the funding must be spent on eligible payroll expenses, and up to 40% may be spent on other eligible expenditures, such as rent and utilities. As outlined by the SBA, any unforgiven balance must be repaid over two years at an annual interest rate of 1% with an initial deferment period of ten months from the end of the covered period (interest will accrue). The Foundation received full forgiveness of the loan on March 26, 2021. In accordance with ASC 958-605 *Not-for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, the Foundation has recorded the transaction as a conditional contribution. All conditions were met during the year ended December 31, 2021, and the full amount is therefore included as support and revenues on the statement of activities and changes in net assets for the year ended December 31, 2021.

**NOTE 10 – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES**

Supporting services include 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. Also included in these expenses are development expenses, which provide the structure necessary to encourage and secure financial support from individuals, businesses and foundations.

## **NOTE 10 – 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 Early Childhood Collaborative of Southington is a related program administered by the Foundation. As of December 31, 2022 and 2021, net assets of this fund totaled \$67,010 and \$85,463, respectively. Contributions recognized on behalf of this organization were \$69,642 and \$105,191 for the years ended December 31, 2022 and 2021, respectively, which includes contributions made from the Foundation of \$-0- and \$29,250, for the years ended December 31, 2022 and 2021, respectively. Expenses recognized on behalf of the organization were \$88,095 and \$64,929.

## **NOTE 11 – 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, 2022 and 2021, respectively, were \$8,037,836 and \$9,634,724, of which \$7,176,127 and \$8,677,777 as of December 31, 2022 and 2021, respectively, is in the name of the Foundation. As of December 31, 2021 there were no amounts available to be requested by CCNBB as all funds were transferred to the Foundation to be held as designated funds.

#### **NOTE 11 – SUPPORTING ORGANIZATIONS (CONTINUED)**

During 2020, the Foundation became the fiduciary of the Harriett Russell Stanley Trust, Georgia K. Thomson Charitable Remainder Annuity Trust, and the Mary S. Whittlesey Trust, totaling \$1,666,025, all of which are for the benefit of CCNBB and are recorded in component funds. As of December 31, 2022 and 2021, the trusts were valued at \$1,555,829 and \$1,895,705, respectively.

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 \$52,218 and \$45,120 for the years ended December 31, 2022 and 2021, respectively.

#### **NOTE 12 – 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 8% of gross wages for all eligible employees. Foundation contributions totaled \$49,338 and \$47,240 for the years ended December 31, 2022 and 2021, respectively.

#### **NOTE 13 – COMMITMENTS**

##### Rental Income

The Foundation has various real estate operating leases for different portions of the building that expire through 2027. The future minimum rental income payments under the leases are as follows for the years ending December 31,:

2023	\$ 51,090
2024	20,296
2025	15,084
2026	16,308
2027	17,532
Total	<u>\$ 120,310</u>

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