

NEW CANAAN COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2016

NEW CANAAN COMMUNITY FOUNDATION, INC.

CONTENTS

Independent Auditors' Report	1-2
Statement of Financial Position - June 30, 2016	3
Statement of Activities for the Six Months Ended June 30, 2016	4
Statement of Cash Flows for the Six Months Ended June 30, 2016	5
Notes to Financial Statements	6-14

BlumShapiro

Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Board of Directors
New Canaan Community Foundation, Inc.

We have audited the accompanying financial statements of New Canaan Community Foundation, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the six months 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors consider 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 New Canaan Community Foundation, Inc., as of June 30, 2016, and the changes in its net assets and its cash flows for the six months then ended in accordance with accounting principles generally accepted in the United States of America.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
October 6, 2016

NEW CANAAN COMMUNITY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION JUNE 30, 2016

ASSETS

Cash and cash equivalents	\$ 668,972
Investments	15,810,753
Other assets	2,306
Property, software and equipment, net	<u>9,917</u>
Total Assets	\$ <u>16,491,948</u>

LIABILITIES AND NET ASSETS

Liabilities

Accrued liabilities	\$ 6,700
Grants payable	177,300
Agency funds	<u>1,716,983</u>
Total liabilities	<u>1,900,983</u>

Net Assets

Unrestricted	6,032,869
Temporarily restricted	<u>8,558,096</u>
Total net assets	<u>14,590,965</u>

Total Liabilities and Net Assets	\$ <u>16,491,948</u>
---	-----------------------------

The accompanying notes are an integral part of the financial statements

NEW CANAAN COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES FOR THE SIX MONTHS ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Changes in Net Assets			
Revenues:			
Contributions	\$ 214,559	\$ 201,992	\$ 416,551
Less contributions to agency funds	<u>(127,996)</u>	<u>-</u>	<u>(127,996)</u>
Net contributions	86,563	201,992	288,555
Investment return, net of investment expense	177,489	92,311	269,800
Special events	<u>-</u>	<u>80,015</u>	<u>80,015</u>
	264,052	374,318	638,370
Net assets released from restrictions	<u>358,993</u>	<u>(358,993)</u>	<u>-</u>
Total revenues	<u>623,045</u>	<u>15,325</u>	<u>638,370</u>
Expenses:			
Program:			
Grants	901,408	-	901,408
Other program expenses	<u>86,393</u>	<u>-</u>	<u>86,393</u>
Total grants	987,801	-	987,801
Supporting services:			
Management and administration	43,982	-	43,982
Fundraising:			
Special events	17,774	-	17,774
Other fundraising	<u>32,958</u>	<u>-</u>	<u>32,958</u>
Total expenses	<u>1,082,515</u>	<u>-</u>	<u>1,082,515</u>
Increase (Decrease) in Net Assets	(459,470)	15,325	(444,145)
Net Assets - Beginning of Period	<u>6,492,339</u>	<u>8,542,771</u>	<u>15,035,110</u>
Net Assets - End of Period	<u>\$ 6,032,869</u>	<u>\$ 8,558,096</u>	<u>\$ 14,590,965</u>

The accompanying notes are an integral part of the financial statements

NEW CANAAN COMMUNITY FOUNDATION, INC.

STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2016

Cash Flows from Operating Activities

Decrease in net assets	\$ (444,145)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation	1,521
Net realized and unrealized gain on investments	(149,514)
Increase in operating assets:	
Other assets	(300)
Increase (decrease) in operating liabilities:	
Accrued liabilities	(7,925)
Grants payable	170,150
Agency funds	148,215
Net cash used in operating activities	<u>(281,998)</u>

Cash Flows from Investing Activities

Purchases of investments	(227,621)
Proceeds from sales of investments	174,947
Net cash used in investing activities	<u>(52,674)</u>

Net Decrease in Cash and Cash Equivalents

(334,672)

Cash and Cash Equivalents - Beginning of Period

1,003,644

Cash and Cash Equivalents - End of Period

\$ 668,972

The accompanying notes are an integral part of the financial statements

NEW CANAAN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

New Canaan Community Foundation, Inc. (the Foundation) was founded in 1977. The Foundation promotes community philanthropy and helps donors achieve their charitable goals.

Fiscal Year

During the current period, the Foundation adopted a June 30 fiscal year end to correspond with its granting cycle.

Basis of Accounting and Presentation

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of the Foundation are reported in three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets

Unrestricted 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. 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; however, they would exercise this authority only if the stated purpose of a contribution becomes no longer applicable and incapable of fulfillment. The Board has designated funds to function as an endowment, for discretionary purposes, to be distributed to charitable beneficiaries in accordance with the board designation and to be distributed based on the spending policy of the Foundation.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure, which includes donor-advised, scholarship and field-of-interest funds and accumulated investment income and gains on those funds that have not been appropriated for expenditure, based on the spending policy of the Foundation.

The Foundation had no permanently restricted net assets as of June 30, 2016.

Use of Estimates

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

NEW CANAAN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with an initial maturity of three months or less that are utilized for operations to be cash equivalents, which would exclude cash equivalents held by brokers and investment managers. The Foundation manages their deposits in financial institutions in order to minimize the risk of exceeding federal depository insurance limits. Management believes that the Foundation's deposits are not subject to significant credit risk.

Investment Management

There are three independent money managers responsible for the Foundation's investments. The use of multiple money managers diversifies the risk associated with the Foundation's portfolio.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment return, net of expense includes the Foundation's gains and losses on investments bought and sold as well as held during the year.

Investment Pools

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

Property, Software, Equipment and Depreciation

Property, software and equipment acquisitions or improvements that exceed \$2,000 are recorded at cost or, if donated, at estimated fair value at the time such items are received. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets.

Agency Funds

The Foundation enters into agency agreements whereby it receives and distributes assets for certain endowment funds that have been established by an unrelated nonprofit organization from its own resources for the sole purpose of supporting that organization's operations. As of June 30, 2016, the Foundation has agency funds established for the following unrelated nonprofit organizations: Town Players of New Canaan, Inc.; Friends of Spencer's Run, Inc.; Staying Put in New Canaan, Inc.; Rotary Club of New Canaan; New Canaan Lacrosse Association; ABC Inc. of New Canaan; New Canaan Board of Realtors; Meals on Wheels of New Canaan, Inc.; New Canaan Land Conservation Trust; and NC Rams All Sports Booster Club. Amounts received under these relationships totaled \$127,996 for the six months ended June 30, 2016. There were no amounts distributed under these relationships for the six months ended June 30, 2016.

NEW CANAAN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

The amounts received under these relationships but not yet distributed, including income earned on investments, totaled \$1,716,983 at June 30, 2016, and are included on the statement of financial position in investments and liabilities.

Contributions

Unconditional contributions are recognized when received and are considered to be available for unrestricted use unless specifically restricted by the donor. The Foundation reports contributions as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions whose restrictions are met in the same fiscal year are recorded as unrestricted support. Conditional promises to give to the Foundation are not included as support until such time as the conditions are substantially met.

Donated Services

The Foundation recognizes donated services if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Grants

The Foundation records grants payable when the grants are approved by the Board of Directors. All grants made are in accordance with the terms of the various governing instruments and are subject to the approval of the Board.

Income Taxes

The Foundation qualifies as a public charity under Section 501(c)(3) of the Internal Revenue Code. Thus, the Foundation is exempt from federal and state income taxes.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through October 6, 2016, which represents the date the financial statements were available to be issued.

NEW CANAAN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - FAIR VALUES

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

Level 1

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

Level 2

Inputs to the valuation methodology include:

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

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

Level 3

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

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

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

Invested Cash and Other Short-Term Investments

Invested cash and other short-term investments are valued at the quoted net asset value of shares held at year end. This investment class is meant to provide safety when the Foundation's money managers are unable to find investments with appropriate returns consistent with their strategy. It tends to be very short term with a very low return.

Mutual Funds

Mutual funds are valued at the quoted net asset value of shares held at year end.

Corporate Bonds

Certain corporate bonds are valued at the closing price reported in the active market in which the individual securities are traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar durations and credit ratings. This investment class is meant to provide a low risk component to the Foundation's portfolio and provides an asset class that has a low correlation to the equity investments.

NEW CANAAN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Common Stocks

Common stocks are valued at the closing price reported in the active market in which the individual securities are traded. This investment class seeks to provide long-term capital appreciation. The Foundation's money managers select equities with the objective of generating average annual compounded returns over the relevant broad market indices (i.e., the S&P 500, the Russell 1000, MSCI EAFE and MSCI World), net of fees, over full market cycles (5-10 years). The Foundation's equity portfolios are composed of a broad enough range of businesses and geographic segments to diversify the risk associated with any individual issue.

Multi-Asset Fund

This investment (carried at \$5,133,211 at June 30, 2016) is valued using the Foundation's proportionate value of the investment manager's total net asset value as of June 30, 2016. This net asset value is based on the fair value of the underlying assets and liabilities of the related fund at the measurement date. This investment is not readily traded on an open market and there are restrictions as to who can invest in the fund.

This investment class seeks to achieve a total return (price appreciation plus dividends and interest income) net of expenses that, over a majority of market cycles, exceeds inflation plus 5% per annum through a globally diversified portfolio. Such diversification is designed to constitute a hedge against catastrophic losses during times when the fund's main engine of growth, its total return segment, may be misfiring. The asset mix is designed not to outperform the best-performing asset class in any given year but rather to produce satisfactory real returns over time periods appropriate to perpetual life charities. The fund rebalances segment weights in a manner designed to exploit capital markets' mean-reverting tendencies while being cognizant of trading costs. The fund generally maintains its desired alignment of exposures by employing equity futures, currency futures, Treasury futures, and swaps as needed. On occasion, the fund has used options as a hedging device when pricing is deemed attractive.

There have been no changes in the methodologies used at June 30, 2016.

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

NEW CANAAN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2016:

	Fair Value Measurements Using			Investments Measured at Net Asset Value (a)	Total
	Level 1	Level 2	Level 3		
Invested cash and other short-term investments	\$ 42,890	\$ -	\$ -	\$ -	\$ 42,890
Mutual funds:					
Equity	6,919,636	-	-	-	6,919,636
Bonds	3,610,996	-	-	-	3,610,996
Corporate bonds	-	51,000	-	-	51,000
Common stock	53,020	-	-	-	53,020
Multi-asset fund	-	-	-	5,133,211	5,133,211
Total Assets	\$ 10,626,542	\$ 51,000	\$ -	\$ 5,133,211	\$ 15,810,753

- a. Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

There were no transfers between levels of investments during the six months ended June 30, 2016.

Realized and unrealized gains	\$ 149,514
Interest and dividends	131,894
	<u>281,408</u>
Less investment expenses	<u>11,608</u>
Investment Return, Net	\$ <u>269,800</u>

NOTE 3 - PROPERTY, SOFTWARE AND EQUIPMENT

Property, software and equipment consist of the following at June 30, 2016:

Equipment and software	\$ 52,427
Office furniture	353
	<u>52,780</u>
Less accumulated depreciation	<u>42,863</u>
Property, Software and Equipment, Net	\$ <u>9,917</u>

Depreciation expense for the six months ended June 30, 2016 was \$1,521.

NEW CANAAN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

The following is the composition of the Foundation’s temporarily restricted net assets at June 30, 2016:

Purpose restrictions:	
Component funds established by donors	\$ 4,710,620
Scholarship	3,591,906
Youth philanthropy	<u>255,570</u>
	<u>\$ 8,558,096</u>

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the restricted purpose specified by the donor. The temporarily restricted net assets released from restriction for the six months ended June 30, 2016 related to grants to recommended organizations amounted to \$358,993.

NOTE 5 - ENDOWMENT

The Foundation’s endowment consists of discretionary endowment funds, board-designated endowment funds and donor-restricted endowment funds for which the Foundation has variance power. In accordance with accounting standards, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment net assets consist of cash and cash equivalents, dividends and interest receivable and investments at fair value, less agency fund liabilities, which are reported on the statement of financial position.

Interpretation of Relevant Law

The Board of Directors of the Foundation has accepted their legal counsel’s interpretation that the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as temporarily restricted net assets (a) the original value of donor-restricted gifts, (b) the original value of subsequent donor-restricted gifts, and (c) accumulations to the donor-restricted gifts made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The donor-restricted gifts are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by CTPMIFA.

In accordance with CTPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the fund, (b) the purposes of the organization and the donor-restricted endowment fund, (c) general economic conditions, (d) the possible effect of inflation and deflation, (e) the expected total return from income and the appreciation of investments, (f) other resources of the organization, and (g) the investment policies of the organization.

NEW CANAAN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Changes in endowment net assets for the six months ended June 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment net assets at January 1, 2016	\$ 6,492,339	\$ 8,542,771	\$ 15,035,110
Investment return, net of investment expense	177,489	92,311	269,800
Contributions	86,563	201,992	288,555
Special event revenue	-	80,015	80,015
Appropriation and expenditure of discretionary and endowment assets	<u>(723,522)</u>	<u>(358,993)</u>	<u>(1,082,515)</u>
Endowment Net Assets at June 30, 2016	<u>\$ 6,032,869</u>	<u>\$ 8,558,096</u>	<u>\$ 14,590,965</u>

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power and capital of the endowment assets. The policy also seeks to maximize total investment return, while also establishing a diverse portfolio of investments to mitigate losses. Endowment assets include those assets of donor-restricted funds that the Foundation must hold for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that seeks to maximize total investment return, while also establishing a diverse portfolio of investments to mitigate losses.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and its Relation to Investment Objectives

The Foundation has a policy of appropriating for distribution each year, an amount equal to the prior year's annual appeal contributions, and an additional Board discretionary amount of 4% to 6.5% of the average of fair value of the previous three years unrestricted endowment balance less unreimbursed expenses. There are certain funds that, based upon donor's intent, are not considered in this spending formula. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held for a specified term, as well as to provide additional real growth through new gifts and investment return.

NEW CANAAN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - OPERATING LEASES

The Foundation leases office space under an operating lease that expires on December 31, 2018, with rent of \$14,653 for the six months ended June 30, 2016. The annual required rental payments increase annually over the term of the lease to a maximum annual rent of approximately \$31,600. The Foundation also leases office equipment under noncancelable operating leases with terms of more than one year.

Future minimum lease payments under operating leases are as follows:

Year Ending June 30,

2017	\$	30,039
2018		31,541
2019		<u>16,155</u>
	\$	<u><u>77,735</u></u>