

**NEW CANAAN COMMUNITY  
FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2009 AND 2008**

**NEW CANAAN COMMUNITY FOUNDATION, INC.**

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## Independent Auditors' Report

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

We have audited the accompanying statements of financial position of New Canaan Community Foundation, Inc., as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Blum, Shapiro & Company, P.C.*

April 22, 2010

Blum, Shapiro & Company, P.C.

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**NEW CANAAN COMMUNITY FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 215,281	\$ 133,266
Dividends and interest receivable	26,312	23,489
Investments, at fair value	11,339,049	9,644,318
Prepaid expenses	14,651	9,072
Property and equipment, net	<u>5,902</u>	<u>8,745</u>
<b>Total Assets</b>	<b>\$ <u>11,601,195</u></b>	<b>\$ <u>9,818,890</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accrued liabilities	<u>\$ 12,718</u>	<u>\$ 12,985</u>
<b>Net Assets</b>		
Unrestricted:		
Discretionary	5,997,753	4,996,068
Board designated	<u>55,759</u>	<u>54,563</u>
Total unrestricted net assets	<u>6,053,512</u>	<u>5,050,631</u>
Temporarily restricted	<u>5,534,965</u>	<u>4,755,274</u>
Total net assets	<u>11,588,477</u>	<u>9,805,905</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>11,601,195</u></b>	<b>\$ <u>9,818,890</u></b>

The accompanying notes are an integral part of the financial statements

**NEW CANAAN COMMUNITY FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<b>2009</b>			<b>2008</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Changes in Net Assets</b>						
Revenues:						
Contributions	\$ 876,685	\$ 420,290	\$ 1,296,975	\$ 567,141	\$ 3,233,759	\$ 3,800,900
Special events	35,580	-	35,580	30,263	-	30,263
Investment return, net of investment expense	647,735	611,273	1,259,008	(747,612)	(1,049,034)	(1,796,646)
	<u>1,560,000</u>	<u>1,031,563</u>	<u>2,591,563</u>	<u>(150,208)</u>	<u>2,184,725</u>	<u>2,034,517</u>
Net assets released from restrictions	251,872	(251,872)	-	173,014	(173,014)	-
Total revenues	<u>1,811,872</u>	<u>779,691</u>	<u>2,591,563</u>	<u>22,806</u>	<u>2,011,711</u>	<u>2,034,517</u>
Expenses:						
Program:						
Grants	525,157	-	525,157	459,962	-	459,962
Supporting services:						
Management and administration	200,256	-	200,256	149,250	-	149,250
Fundraising:						
Special events	17,705	-	17,705	16,764	-	16,764
Other fundraising	65,873	-	65,873	48,878	-	48,878
Total expenses	<u>808,991</u>	<u>-</u>	<u>808,991</u>	<u>674,854</u>	<u>-</u>	<u>674,854</u>
<b>Increase (Decrease) in Net Assets</b>	1,002,881	779,691	1,782,572	(652,048)	2,011,711	1,359,663
<b>Cumulative Effect of Change in Accounting Principle</b>	-	-	-	(2,743,563)	2,743,563	-
<b>Net Assets - Beginning of Year</b>	<u>5,050,631</u>	<u>4,755,274</u>	<u>9,805,905</u>	<u>8,446,242</u>	<u>-</u>	<u>8,446,242</u>
<b>Net Assets - End of Year</b>	<u>\$ 6,053,512</u>	<u>\$ 5,534,965</u>	<u>\$ 11,588,477</u>	<u>\$ 5,050,631</u>	<u>\$ 4,755,274</u>	<u>\$ 9,805,905</u>

**NEW CANAAN COMMUNITY FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 1,782,572	\$ 1,359,663
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	2,843	2,842
Net realized and unrealized (gains) losses on investments	(932,237)	2,074,633
Increase in operating assets:		
Dividends and interest receivable	(2,823)	(6,656)
Prepaid expenses	(5,579)	(640)
Increase (decrease) in operating liabilities:		
Grants payable	-	(10,000)
Accrued liabilities	(267)	4,585
Net cash provided by operating activities	<u>844,509</u>	<u>3,424,427</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(993,976)	(7,241,901)
Proceeds from sales of investments	231,482	3,855,482
Net cash used in investing activities	<u>(762,494)</u>	<u>(3,386,419)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	82,015	38,008
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>133,266</u>	<u>95,258</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 215,281</u>	<u>\$ 133,266</u>

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 growth of community philanthropy and helps donors achieve their charitable goals for the community of New Canaan and its surrounding region.

As of July 1, 2009, the United Way of New Canaan, Inc. underwent a corporate dissolution process. Seven of its Board members joined the leadership of the New Canaan Community Foundation, Inc., which pledged to continue their important work in community philanthropy and set up a new grant making program initiative, *Neighbors United*. The remaining net assets of the United Way of New Canaan, Inc. were transferred to the Foundation in 2010.

**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. Accordingly, the Foundation's financial statements classify discretionary and board-designated donor-restricted endowment funds as unrestricted. Board-designated net assets consist of funds for grants to be made at the discretion of the Board of Directors.

**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.

The Foundation had no permanently restricted net assets as of December 31, 2009 and 2008.

**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. The most significant estimate relates to the valuation of other investments.

**NEW CANAAN COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Change in Accounting Principle** - In 2008, the Foundation was required to change its accounting for endowments due to a change in industry accounting standards. Previously, the accumulated gains and income on donor-restricted endowment funds were classified as unrestricted net assets. Under the new provision, accumulated gains and income on donor-restricted endowment assets are classified as temporarily restricted net assets until appropriated for expenditure. This change in accounting principle had no effect on total net assets. The classification of discretionary and board-designated funds has not changed. The reclassification of net assets from unrestricted to temporarily restricted is disclosed in Note 4.

**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 maintains deposits in financial institutions that may, at times, exceed federal depository insurance limits. Management believes that the Foundation's deposits are not subject to significant credit risk.

**Investments** - Investments in marketable debt securities, equity securities and mutual funds 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.

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

**Property, Equipment and Depreciation** - Property and equipment acquisitions or improvements that exceed \$500 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.

**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 statement 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.

**NEW CANAAN COMMUNITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**Reclassifications** - Certain amounts in the 2008 financial statements have been reclassified to conform with the current year's presentation.

**Subsequent Events** - In preparing these financial statements, management has evaluated subsequent events through April 22, 2010, which represents the date the financial statements were available to be issued.

**NOTE 2 - INVESTMENTS**

Investments at December 31, 2009 and 2008, consist of the following:

	<u>2009</u>	<u>2008</u>
Common stocks/equity mutual funds	\$ 5,543,711	\$ 5,815,757
U.S. Government securities	2,602,311	2,271,983
Other investments	2,250,797	746,583
Invested cash and other short-term investments	717,324	689,697
Corporate bonds	<u>224,906</u>	<u>120,298</u>
Total Investments	<u>\$ 11,339,049</u>	<u>\$ 9,644,318</u>

The fair values of all investments, except other investments (carried at \$9,088,252 and \$8,897,735 at December 31, 2009 and 2008, respectively) are determined using quoted prices in active markets for identical assets (Level 1, as defined in accounting standard, *Fair Value Measurements*).

**NEW CANAAN COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - INVESTMENTS (Continued)**

The Foundation's other investments (carried at \$2,250,797 and \$746,583 at December 31, 2009 and 2008, respectively) are valued using inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2, as defined in accounting standard, *Fair Value Measurements*).

Other investments consist of an investment in a multi-asset fund. These investments (carried at \$2,250,797 and \$746,583 at December 31, 2009 and 2008, respectively) are valued using the Foundation's proportionate value of the investment manager's total net asset value for the years ended December 31, 2009 and 2008, respectively. The net asset value consists of 68.2% Level 1, 20.2% Level 2 and 11.6% Level 3 fair value measurements, as defined in accounting standard, *Fair Value Measurements*.

Investment return for the years ended December 31, 2009 and 2008, is summarized as follows:

	<u>2009</u>	<u>2008</u>
Realized and unrealized gains (losses)	\$ 932,237	\$ (2,074,633)
Interest and dividends	354,986	311,746
	<u>1,287,223</u>	<u>(1,762,887)</u>
Less investment expenses	28,215	33,759
Investment Return, Net	<u>\$ 1,259,008</u>	<u>\$ (1,796,646)</u>

The change in unrealized gains (losses) relating to investments that are still held at year end is \$1,207,023 and \$(1,673,411) for the years ended December 31, 2009 and 2008, respectively.

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Equipment and software	\$ 28,070	\$ 28,070
Office furniture	353	353
	<u>28,423</u>	<u>28,423</u>
Less accumulated depreciation	22,521	19,678
Property and Equipment, Net	<u>\$ 5,902</u>	<u>\$ 8,745</u>

Depreciation expense for the years ended December 31, 2009 and 2008, was \$2,843 and \$2,842, respectively.

**NEW CANAAN COMMUNITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - 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.

**Interpretation of Relevant Law** - The Board of Directors of the Foundation has accepted their legal counsel's interpretation of the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) as requiring 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.

**Endowment Net Assets** - Endowment net asset composition by type of fund is as follows as of December 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 5,534,965	\$ 5,534,965
Discretionary endowment funds	5,997,753	-	5,997,753
Board-designated endowment funds	<u>55,759</u>	<u>-</u>	<u>55,759</u>
	<u>\$ 6,053,512</u>	<u>\$ 5,534,965</u>	<u>\$ 11,588,477</u>

**NEW CANAAN COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - ENDOWMENT (Continued)**

Changes in endowment net assets for the year ended December 31, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 5,050,631	\$ 4,755,274	\$ 9,805,905
Investment return:			
Investment income	648,906	691,159	1,340,065
Investment fees	(1,171)	(79,886)	(81,057)
Total investment return	<u>647,735</u>	<u>611,273</u>	<u>1,259,008</u>
Contributions	<u>862,918</u>	<u>420,290</u>	<u>1,283,208</u>
Special event revenue	<u>35,580</u>	<u>-</u>	<u>35,580</u>
Appropriations of endowment assets for expenditure	<u>251,872</u>	<u>(251,872)</u>	<u>-</u>
Expenditure of discretionary and board-designated endowment funds	<u>(795,224)</u>	<u>-</u>	<u>(795,224)</u>
Endowment Net Assets - End of Year	<u>\$ 6,053,512</u>	<u>\$ 5,534,965</u>	<u>\$ 11,588,477</u>

Endowment net asset composition by type of fund is as follows as of December 31, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 4,755,274	\$ 4,755,274
Discretionary endowment funds	4,996,068	-	4,996,068
Board-designated endowment funds	<u>54,563</u>	<u>-</u>	<u>54,563</u>
	<u>\$ 5,050,631</u>	<u>\$ 4,755,274</u>	<u>\$ 9,805,905</u>

**NEW CANAAN COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - ENDOWMENT (Continued)**

Changes in endowment net assets for the year ended December 31, 2008 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 8,446,242	\$ -	\$ 8,446,242
Net asset reclassification based on change in law	<u>(2,743,563)</u>	<u>2,743,563</u>	<u>-</u>
Endowment net assets after reclassification	<u>5,702,679</u>	<u>2,743,563</u>	<u>8,446,242</u>
Investment return:			
Investment income	206,278	124,763	331,041
Investment losses	(952,697)	(1,121,935)	(2,074,632)
Investment fees	<u>(1,193)</u>	<u>(51,862)</u>	<u>(53,055)</u>
Total investment return	<u>(747,612)</u>	<u>(1,049,034)</u>	<u>(1,796,646)</u>
Contributions	<u>559,217</u>	<u>3,233,759</u>	<u>3,792,976</u>
Special event revenue	<u>30,263</u>	<u>-</u>	<u>30,263</u>
Appropriations of endowment assets for expenditure	<u>173,014</u>	<u>(173,014)</u>	<u>-</u>
Expenditure of discretionary and board-designated endowment funds	<u>(666,930)</u>	<u>-</u>	<u>(666,930)</u>
Endowment Net Assets - End of Year	<u>\$ 5,050,631</u>	<u>\$ 4,755,274</u>	<u>\$ 9,805,905</u>

**NEW CANAAN COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - ENDOWMENT (Continued)**

Amounts classified as temporarily restricted net assets (endowment only) are as follows as of December 31, 2009:

Temporarily restricted net assets:

The portion of perpetual endowment funds subject to a time or purpose restriction	\$ <u>5,534,965</u>
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Total Endowment Funds Classified as Temporarily Restricted Net Assets	\$ <u><u>5,534,965</u></u>
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**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 protect against 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 protect against 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 4.5% of its previous year's endowment fund's value or the average fair value of endowment fund over the prior 12 quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or 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 5 - DONATED SERVICES**

The design of annual report and other promotional materials with a value of \$13,767 and \$7,924 were recognized as contributions for the years ended December 31, 2009 and 2008, respectively.

**NOTE 6 - SUBSEQUENT EVENT**

On January 1, 2010, the Foundation entered into a new lease agreement. The lease agreement has a current annual rent of approximately \$24,100 and expires in December 2012. The annual required rental payments increase annually over the term of the lease to a maximum annual rent of approximately \$25,500.

Future minimum lease payments under operating leases that have remaining terms in excess of one year are as follows:

**Year Ending December 31**

2010	\$	24,076
2011		24,798
2012		<u>25,542</u>
	\$	<u><u>74,416</u></u>