

**NEW CANAAN COMMUNITY
FOUNDATION, INC.**

DECEMBER 31, 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, 2008 and 2007, 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, 2008 and 2007, 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.

May 27, 2009

NEW CANAAN COMMUNITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 133,266	\$ 95,258
Dividends and interest receivable	23,489	16,833
Investments, at fair value	9,644,318	8,332,532
Prepaid expenses	9,072	8,432
Property and equipment, net	<u>8,745</u>	<u>11,587</u>
Total Assets	\$ <u>9,818,890</u>	\$ <u>8,464,642</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ -	\$ 10,000
Accrued liabilities	<u>12,985</u>	<u>8,400</u>
Total liabilities	<u>12,985</u>	<u>18,400</u>
Net Assets		
Unrestricted:		
Discretionary	4,996,068	5,637,308
Donor advised	-	1,473,229
Scholarship	-	1,087,182
Field of interest	-	248,523
Board designated	<u>54,563</u>	<u>-</u>
Total unrestricted net assets	<u>5,050,631</u>	<u>8,446,242</u>
Temporarily restricted	<u>4,755,274</u>	<u>-</u>
Total net assets	<u>9,805,905</u>	<u>8,446,242</u>
Total Liabilities and Net Assets	\$ <u>9,818,890</u>	\$ <u>8,464,642</u>

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, 2008 AND 2007

	2008			2007
	Unrestricted	Temporarily Restricted	Total	Unrestricted and Total
Changes in Net Assets				
Revenues:				
Contributions	\$ 559,217	\$ 3,233,759	\$ 3,792,976	\$ 249,552
Special events	30,263	-	30,263	36,065
Investment return, net of investment expense	(747,612)	(1,049,034)	(1,796,646)	460,185
	<u>(158,132)</u>	<u>2,184,725</u>	<u>2,026,593</u>	<u>745,802</u>
Net assets released from restrictions	173,014	(173,014)	-	-
Total revenues	<u>14,882</u>	<u>2,011,711</u>	<u>2,026,593</u>	<u>745,802</u>
Expenses:				
Program:				
Grants	459,962	-	459,962	385,396
Supporting services:				
Management and administration	149,250	-	149,250	132,851
Fundraising:				
Special events	16,764	-	16,764	12,116
Other fundraising	40,954	-	40,954	44,374
Total expenses	<u>666,930</u>	<u>-</u>	<u>666,930</u>	<u>574,737</u>
Increase (Decrease) in Net Assets	(652,048)	2,011,711	1,359,663	171,065
Cumulative Effect of Change in Accounting Principle	(2,743,563)	2,743,563	-	-
Net Assets - Beginning of Year	<u>8,446,242</u>	<u>-</u>	<u>8,446,242</u>	<u>8,275,177</u>
Net Assets - End of Year	<u>\$ 5,050,631</u>	<u>\$ 4,755,274</u>	<u>\$ 9,805,905</u>	<u>\$ 8,446,242</u>

The accompanying notes are an integral part of the financial statements

NEW CANAAN COMMUNITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,359,663	\$ 171,065
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,842	2,842
Net realized and unrealized gains on investments	2,074,633	(219,304)
(Increase) decrease in operating assets:		
Dividends and interest receivable	(6,656)	(112)
Prepaid expenses	(640)	(3,793)
Increase (decrease) in operating liabilities:		
Grants payable	(10,000)	10,000
Accrued liabilities	4,585	(4,482)
Net cash provided by (used in) operating activities	<u>3,424,427</u>	<u>(43,784)</u>
Cash Flows from Investing Activities		
Purchases of investments	(7,241,901)	(3,841,292)
Proceeds from sales of investments	3,855,482	3,908,214
Net cash provided by (used in) investing activities	<u>(3,386,419)</u>	<u>66,922</u>
Net Increase in Cash and Cash Equivalents	38,008	23,138
Cash and Cash Equivalents - Beginning of Year	<u>95,258</u>	<u>72,120</u>
Cash and Cash Equivalents - End of Year	<u>\$ 133,266</u>	<u>\$ 95,258</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.

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: permanently restricted, temporarily restricted and unrestricted.

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.

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, 2008 and 2007.

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. Accordingly, actual results could differ from those estimates.

Change in Accounting Principle - The Foundation was required to change its accounting for endowments due to the enactment of the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) and the issuance of Financial Accounting Standards Board Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (SP No. 117-1). Previously, the accumulated gains and income on donor-restricted endowment funds were classified as unrestricted net assets. Under SP No. 117-1, 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 with readily determinable fair values are stated at fair value in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

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.

Contributions - Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are scheduled to be received after the fiscal year-end are shown as temporarily restricted support and reclassified to unrestricted net assets when the implied time restriction is met. 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.

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.

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.

Note 2 - **Investments:**

Investments at December 31, 2008 and 2007, consist of the following:

	<u>2008</u>	<u>2007</u>
Common stocks/equity mutual funds	\$ 5,815,757	\$ 4,707,423
U.S. Government securities	2,271,983	1,779,263
Alternative investments	746,583	-
Invested cash and other short-term investments	689,697	1,845,846
Corporate bonds	<u>120,298</u>	<u>-</u>
Total Investments	<u>\$ 9,644,318</u>	<u>\$ 8,332,532</u>

The fair values of all investments except alternative investments (carried at \$8,897,735) are determined using quoted prices in active markets for identical assets (Level 1, as defined in Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS No. 157)).

The Foundation's alternative investments (carried at \$746,583) 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 SFAS No. 157).

Investment return for the years ended December 31, 2008 and 2007, is summarized as follows:

	<u>2008</u>	<u>2007</u>
Realized and unrealized gains (losses)	\$ (2,074,633)	\$ 219,304
Interest and dividends	311,746	282,173
	<u>(1,762,887)</u>	<u>501,477</u>
Less investment expenses	33,759	41,292
Investment Return, Net	<u>\$ (1,796,646)</u>	<u>\$ 460,185</u>

The change in unrealized gains (losses) relating to investments that are still held at year end is \$(1,673,411) and \$(86,169) for the years ended December 31, 2008 and 2007, respectively

Note 3 - **Property and Equipment:**

Property and equipment consist of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Equipment and software	\$ 28,070	\$ 28,070
Office furniture	353	353
	<u>28,423</u>	<u>28,423</u>
Less accumulated depreciation	<u>19,678</u>	<u>16,836</u>
Property and Equipment, Net	<u>\$ 8,745</u>	<u>\$ 11,587</u>

Depreciation expense for each of the years ended December 31, 2008 and 2007, was \$2,842.

Note 4 - **Endowment:**

The Foundation's endowment consists solely of donor-restricted endowment funds for which the Foundation has variance power. As required by accounting principles generally accepted in the United States of America (GAAP), 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 interpreted 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:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Endowment Net Asset Composition by Type of Fund 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>

Changes in Endowment Net Assets for the Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Total
Endowment net assets, beginning of year	\$ 8,446,242	\$ -	\$ 8,446,242
Net asset reclassification based on change in law	(2,743,563)	2,743,563	-
Endowment net assets after reclassification	5,702,679	2,743,563	8,446,242
Investment return:			
Investment income	197,976	124,763	322,739
Investment losses	(952,697)	(1,121,935)	(2,074,632)
Investment fees	7,109	(51,862)	(44,753)
Total investment return	(747,612)	(1,049,034)	(1,796,646)
Contributions	559,217	3,233,759	3,792,976
Special event revenue	30,263	-	30,263
Appropriations of endowment assets for expenditure	173,014	(173,014)	-
Expenditure of discretionary and board-designated endowment funds	(666,930)	-	(666,930)
Endowment Net Assets, End of Year	\$ 5,050,631	\$ 4,755,274	\$ 9,805,905

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only) as of December 31, 2008

Temporarily restricted net assets:	
The portion of perpetual endowment funds subject to a time or purpose restriction	\$ <u>4,755,274</u>
 Total Endowment Funds Classified as Temporarily Restricted Net Assets	 \$ <u>4,755,274</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 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 preceding 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.