

**NEW CANAAN
COMMUNITY
FOUNDATION, INC.**

**FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NEW CANAAN COMMUNITY FOUNDATION, INC.

CONTENTS

Independent Auditors' Report	1-2
Statements of Financial Position - June 30, 2020 and 2019	3
Statements of Activities for the Years Ended June 30, 2020 and 2019	4
Statement of Functional Expenses for the Year Ended June 30, 2020	5
Statement of Functional Expenses for the Year Ended June 30, 2019	6
Statements of Cash Flows for the Years Ended June 30, 2020 and 2019	7
Notes to Financial Statements	8-18

Independent Auditors' Report

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

We have audited the accompanying financial statements of New Canaan Community Foundation, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2020 and 2019, 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.

Change in Accounting Principle

As discussed in Note 1, during the year ended June 30, 2020, New Canaan Community Foundation, Inc., as a resource recipient, adopted the contributions received guidance under Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
September 22, 2020

NEW CANAAN COMMUNITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 1,274,274	\$ 1,086,546
Investments	20,613,065	18,441,288
Other assets	2,006	14,506
Property, software and equipment, net	<u>11,699</u>	<u>12,878</u>
Total Assets	<u>\$ 21,901,044</u>	<u>\$ 19,555,218</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued liabilities	\$ 69,039	\$ 30,491
Grants payable	136,250	159,575
Loans payable	63,000	-
Agency funds	<u>2,391,514</u>	<u>2,197,659</u>
Total liabilities	<u>2,659,803</u>	<u>2,387,725</u>
Net Assets		
Without donor restrictions	7,188,980	6,866,338
With donor restrictions	<u>12,052,261</u>	<u>10,301,155</u>
Total net assets	<u>19,241,241</u>	<u>17,167,493</u>
Total Liabilities and Net Assets	<u>\$ 21,901,044</u>	<u>\$ 19,555,218</u>

The accompanying notes are an integral part of the financial statements

NEW CANAAN COMMUNITY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Changes in Net Assets						
Revenues:						
Contributions	\$ 1,267,840	\$ 2,174,217	\$ 3,442,057	\$ 978,512	\$ 744,732	\$ 1,723,244
Less contributions to agency funds	(148,380)	-	(148,380)	(239,400)	-	(239,400)
Net contributions	1,119,460	2,174,217	3,293,677	739,112	744,732	1,483,844
Investment return, net of investment expense	512,414	518,814	1,031,228	263,527	525,353	788,880
Special events	19,750	-	19,750	123,675	-	123,675
	1,651,624	2,693,031	4,344,655	1,126,314	1,270,085	2,396,399
Net assets released from restrictions	941,925	(941,925)	-	959,534	(959,534)	-
Total revenues	2,593,549	1,751,106	4,344,655	2,085,848	310,551	2,396,399
Expenses:						
Program:						
Grants	1,802,819	-	1,802,819	1,544,495	-	1,544,495
Other program expenses	367,450	-	367,450	358,902	-	358,902
Less grants from agency funds	(57,596)	-	(57,596)	(79,888)	-	(79,888)
Total program expenses	2,112,673	-	2,112,673	1,823,509	-	1,823,509
Supporting services:						
Management and administration	70,663	-	70,663	99,940	-	99,940
Fundraising:						
Special events	8,372	-	8,372	21,635	-	21,635
Other fundraising	79,199	-	79,199	72,824	-	72,824
Total expenses	2,270,907	-	2,270,907	2,017,908	-	2,017,908
Increase in Net Assets	322,642	1,751,106	2,073,748	67,940	310,551	378,491
Net Assets - Beginning of Year	6,866,338	10,301,155	17,167,493	6,798,398	9,990,604	16,789,002
Net Assets - End of Year	\$ 7,188,980	\$ 12,052,261	\$ 19,241,241	\$ 6,866,338	\$ 10,301,155	\$ 17,167,493

The accompanying notes are an integral part of the financial statements

NEW CANAAN COMMUNITY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2020</u>
Grants and scholarships	\$ 1,802,819	\$ -	\$ -	\$ 1,802,819
Less agency endowment and other component fund grants	57,596	-	-	57,596
Total grants and scholarships	<u>1,745,223</u>	<u>-</u>	<u>-</u>	<u>1,745,223</u>
Salaries	200,360	23,451	42,805	266,616
Payroll taxes	15,807	1,850	3,377	21,034
Employee benefits	31,974	3,743	6,831	42,548
Rent and lease payments	32,257	3,777	6,889	42,923
Fund expense	40,551	-	-	40,551
Office expense	7,213	9,970	1,349	18,532
Fundraising events	8,373	-	8,372	16,745
Marketing and advertising	12,350	567	3,537	16,454
Accounting and auditing services	-	15,138	-	15,138
Annual appeal	2,608	-	7,822	10,430
Software and professional licenses	7,296	912	1,601	9,809
Professional services	2,777	325	4,152	7,254
Postage and shipping	-	6,365	-	6,365
Insurance	-	4,142	-	4,142
Website development and maintenance	2,931	343	626	3,900
Meetings	2,271	-	64	2,335
Travel	682	80	146	908
Total Expenses	<u>\$ 2,112,673</u>	<u>\$ 70,663</u>	<u>\$ 87,571</u>	<u>\$ 2,270,907</u>

The accompanying notes are an integral part of the financial statements

NEW CANAAN COMMUNITY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Fundraising	Total 2019
Grants and scholarships	\$ 1,544,495	\$ -	\$ -	\$ 1,544,495
Less agency endowment and other component fund grants	79,888	-	-	79,888
Total grants and scholarships	<u>1,464,607</u>	-	-	<u>1,464,607</u>
Salaries	182,909	22,253	38,005	243,167
Payroll taxes	14,839	1,805	3,083	19,727
Employee benefits	30,269	3,682	6,290	40,241
Fundraising events	21,635	-	21,635	43,270
Accounting and auditing services	-	36,152	-	36,152
Rent and lease payments	26,639	3,241	5,535	35,415
Fund expense	32,753	-	-	32,753
Software and professional licenses	14,624	1,959	3,178	19,761
Marketing and advertising	14,455	844	3,946	19,245
Professional services	10,041	918	4,061	15,020
Gift in-kind expense	-	10,370	370	10,740
Annual appeal	2,373	-	7,117	9,490
Office expense	627	8,004	16	8,647
Postage and shipping	-	6,507	-	6,507
Website development and maintenance	3,779	460	785	5,024
Insurance	-	3,615	-	3,615
Meetings	2,889	-	216	3,105
Travel	1,070	130	222	1,422
Total Expenses	<u>\$ 1,823,509</u>	<u>\$ 99,940</u>	<u>\$ 94,459</u>	<u>\$ 2,017,908</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 JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 2,073,748	\$ 378,491
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	2,904	1,660
Net realized and unrealized gain on investments	(712,916)	(294,213)
(Increase) decrease in operating assets:		
Other assets	12,500	(12,500)
Increase (decrease) in operating liabilities:		
Accrued liabilities	38,548	13,546
Grants payable	(23,325)	(27,075)
Agency funds	193,855	239,797
Net cash provided by operating activities	<u>1,585,314</u>	<u>299,706</u>
Cash Flows from Investing Activities		
Purchases of investments	(3,357,212)	(707,818)
Proceeds from sales of investments	1,898,351	564,225
Purchases of property, software and equipment	(1,725)	(10,713)
Net cash used in investing activities	<u>(1,460,586)</u>	<u>(154,306)</u>
Cash Flows from Financing Activities		
Proceeds from loans payable	63,000	-
Net cash provided by financing activities	<u>63,000</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	187,728	145,400
Cash and Cash Equivalents - Beginning of Year	<u>1,086,546</u>	<u>941,146</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,274,274</u>	<u>\$ 1,086,546</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 serves as New Canaan's local partner for advice, leadership, and facilitation of charitable giving.

Change in Accounting Principle

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendment clarifies guidance on how an entity determines whether a transfer of assets is a contribution or exchange transaction. The amendment also clarifies the determination of conditional contributions based on evaluating whether there is a right of return and a barrier to overcome. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified prospective method, in which case the effect of applying the standard would be recognized for any agreements not completed and any new agreements entered into at the date of initial application. The new standard is effective for annual reporting periods beginning after December 15, 2018 for resource recipients and for annual reporting periods beginning after December 15, 2019 for resource providers. Management has adopted ASU 2018-08 as a resource recipient for the year ended June 30, 2020. Management will adopt ASU 2018-08 as a resource provider for the year ending June 30, 2021 and is still considering the impact of adoption as a resource provider. The amendments have been applied using the modified prospective method. There was no cumulative effect of applying ASU 2018-08.

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 two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions 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 net assets without donor restrictions. 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.

Net Assets With Donor Restrictions

Net assets with donor restrictions 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.

NEW CANAAN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

The Foundation had no net assets held in perpetuity as of June 30, 2020 and 2019.

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.

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 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 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.

NEW CANAAN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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, 2020, 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; New Canaan Athletic Foundation; New Canaan High School Scholarship Foundation; and New Canaan Society for the Arts. Amounts received under these relationships totaled \$148,380 and \$239,400 for the years ended June 30, 2020 and 2019, respectively. Distributions under these relationships totaled \$57,596 and \$79,888 for the years ended June 30, 2020 and 2019, respectively.

The amounts received under these relationships but not yet distributed, including income earned on investments, totaled \$2,391,514 and \$2,197,659 at June 30, 2020 and 2019, respectively, and are included on the statements 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 with donor restriction 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions whose restrictions are met in the same fiscal year are presented with net assets without donor restrictions. Promises to give that are subject to donor-imposed conditions (i.e., a donor stipulation that includes a barrier that must be overcome and a right of return of assets) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

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.

NEW CANAAN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses are allocated based on time and effort or usage.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through September 22, 2020, which represents the date the financial statements were available to be issued.

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.

NEW CANAAN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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 price 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.

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 \$4,833,426 and \$4,867,515 at June 30, 2020 and 2019, respectively) is valued using the Foundation's proportionate value of the investment manager's total net asset value for the years ended June 30, 2020 and 2019. 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, 2020 and 2019.

NEW CANAAN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2020 and 2019:

	2020				
	Fair Value Measurements Using			Investments Measured at Net Asset Value (a)	Total
	Level 1	Level 2	Level 3		
Mutual funds:					
Equity	\$ 11,471,755	\$ -	\$ -	\$ -	\$ 11,471,755
Bonds	4,168,783	-	-	-	4,168,783
Corporate bonds	-	22,758	-	-	22,758
Common stock	116,343	-	-	-	116,343
Multi-asset fund	-	-	-	4,833,426	4,833,426
Total Assets at Fair Value	<u>\$ 15,756,881</u>	<u>\$ 22,758</u>	<u>\$ -</u>	<u>\$ 4,833,426</u>	<u>\$ 20,613,065</u>

	2019				
	Fair Value Measurements Using			Investments Measured at Net Asset Value (a)	Total
	Level 1	Level 2	Level 3		
Mutual funds:					
Equity	\$ 8,848,618	\$ -	\$ -	\$ -	\$ 8,848,618
Bonds	4,596,517	-	-	-	4,596,517
Corporate bonds	-	35,981	-	-	35,981
Common stock	92,657	-	-	-	92,657
Multi-asset fund	-	-	-	4,867,515	4,867,515
Total Assets at Fair Value	<u>\$ 13,537,792</u>	<u>\$ 35,981</u>	<u>\$ -</u>	<u>\$ 4,867,515</u>	<u>\$ 18,441,288</u>

(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 these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

There were no transfers between levels of investments during the years ended June 30, 2020 and 2019.

NEW CANAAN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - PROPERTY, SOFTWARE AND EQUIPMENT

Property, software and equipment consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Software and equipment	\$ 26,048	\$ 58,747
Office furniture	5,951	4,746
	<u>31,999</u>	<u>63,493</u>
Less accumulated depreciation	<u>20,300</u>	<u>50,615</u>
Property, Software and Equipment, Net	<u>\$ 11,699</u>	<u>\$ 12,878</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$2,904 and \$1,660, respectively.

NOTE 4 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's financial assets available for general expenditures within one year of the statements of financial position date are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,274,274	\$ 1,086,546
Investments	6,169,290	5,942,474
Other assets	<u>-</u>	<u>12,500</u>
Total Financial Assets Available Within One Year	<u>\$ 7,443,564</u>	<u>\$ 7,041,520</u>

Liquidity Management

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Foundation invests cash in excess of immediate requirements in short-term investments. Under the Foundation's spending policy and in conjunction with the annual budget approval process, \$520,000 has been approved for appropriation from the endowment for general expenditures in the subsequent year. This amount is included within the investments balance of \$6,169,290 reported above.

NEW CANAAN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LOANS PAYABLE

On May 15, 2020, the Foundation received a Paycheck Protection Program (PPP) loan of \$59,000 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). A portion of this loan may be forgivable based on the amount of qualifying expenses incurred and levels of employee headcount and salaries maintained during a measurement period. The Foundation considers the PPP loan to be debt and, accordingly, will record the amount of forgiveness, if any, when legally released by the lender. At the time of issuance of the financial statements, notice of forgiveness had not been received from the lender. Any portion of the loan that must be repaid will bear interest at a rate of 1% per annum. Principal and interest will be payable in 18 monthly installments of \$3,320 beginning December 15, 2020 through the maturity date of May 15, 2022.

The Foundation also applied for a loan pursuant to the Economic Injury Disaster Loan Program (EIDL) and received a \$4,000 loan advance in May 2020. The advance bears an interest rate of 1.00% per annum. Principal and interest will be payable in monthly installments beginning December 15, 2020.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

The following is the composition of the Foundation's net assets with donor restrictions at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Purpose restrictions:		
Component funds established by donors	\$ 4,029,460	\$ 6,013,634
Scholarship	7,758,724	4,019,632
Youth philanthropy	<u>264,077</u>	<u>267,889</u>
	<u>\$ 12,052,261</u>	<u>\$ 10,301,155</u>

Net assets with donor restrictions released from restriction for the years ended June 30, 2020 and 2019 in the amounts of \$941,925 and \$959,534, respectively, related to grants awarded to recommended organizations.

NOTE 7 - 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 statements of financial position.

NEW CANAAN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Interpretation of Relevant Law

The Board of Directors of the Foundation has accepted their legal counsel's interpretation that the Connecticut Uniform Prudent Management of Institutional Funds Act (CTUPMIFA) 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 net assets with donor restrictions (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 net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

In accordance with CTUPMIFA, 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.

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets at July 1, 2018	\$ 6,798,398	\$ 9,990,604	\$ 16,789,002
Investment return, net of investment expense	263,527	525,353	788,880
Contributions	739,112	744,732	1,483,844
Special event revenue	123,675	-	123,675
Appropriation and expenditure of discretionary and endowment assets	<u>(1,058,374)</u>	<u>(959,534)</u>	<u>(2,017,908)</u>
Endowment net assets at June 30, 2019	6,866,338	10,301,155	17,167,493
Investment return, net of investment expense	512,414	518,814	1,031,228
Contributions	1,119,460	2,174,217	3,293,677
Special event revenue	19,750	-	19,750
Appropriation and expenditure of discretionary and endowment assets	<u>(1,328,982)</u>	<u>(941,925)</u>	<u>(2,270,907)</u>
Endowment Net Assets at June 30, 2020	<u>\$ 7,188,980</u>	<u>\$ 12,052,261</u>	<u>\$ 19,241,241</u>

NEW CANAAN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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 an amount that does not exceed a level that would significantly erode the endowment funds without donor restrictions over the long term. The annual distributions take into account current and long-term investment returns and forecasts, with a goal to preserve capital and sustainability of the Foundation in the long term while balancing the current grant requests and prioritized needs thereof. 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. The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

NOTE 8 - OPERATING LEASES

The Foundation leases office space under an operating lease that expires on June 30, 2024, with rent of \$40,404 and \$32,310 for the years ended June 30, 2020 and 2019, respectively. The annual required rental payments increase annually over the term of the lease to a maximum annual rent of approximately \$44,733. The Foundation also leases office equipment under noncancelable operating leases with terms of more than one year, with lease payments of \$3,606 and \$3,105 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments under operating leases are as follows:

<u>Year Ending June 30</u>		
2021	\$	44,314
2022		43,861
2023		44,394
2024		45,837
2025		<u>736</u>
	\$	<u><u>179,142</u></u>

NEW CANAAN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - CORONAVIRUS

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. As a result of the spread of coronavirus, economic uncertainties have arisen which have resulted in significant volatility in the investment markets that may result in declines in the value of the investments. The Foundation established a COVID-19 Response Fund to solicit contributions for this purpose, and as of June 30, 2020 \$510,812 has been received and \$358,500 has been granted from this fund.

The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.