

NEW CANAAN COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NEW CANAAN COMMUNITY FOUNDATION, INC.

CONTENTS

Independent Auditors' Report	1-2
Statements of Financial Position - December 31, 2013 and 2012	3
Statements of Activities for the Years Ended December 31, 2013 and 2012	4
Statements of Cash Flows for the Years Ended December 31, 2013 and 2012	5
Notes to Financial Statements	6-15

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 statements of financial position as of December 31, 2013 and 2012, and the related statements of activities 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 December 31, 2013 and 2012, 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.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
March 14, 2014

NEW CANAAN COMMUNITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 1,012,877	\$ 624,324
Investments, at fair value	15,368,079	13,474,216
Other assets	28,366	20,649
Property, software and equipment, net	<u>13,766</u>	<u>16,449</u>
Total Assets	<u>\$ 16,423,088</u>	<u>\$ 14,135,638</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued liabilities	\$ 12,750	\$ 18,460
Agency funds	<u>580,321</u>	<u>69,344</u>
Total liabilities	<u>593,071</u>	<u>87,804</u>
Net Assets		
Unrestricted	7,137,842	6,524,137
Temporarily restricted	<u>8,692,175</u>	<u>7,523,697</u>
Total net assets	<u>15,830,017</u>	<u>14,047,834</u>
Total Liabilities and Net Assets	<u>\$ 16,423,088</u>	<u>\$ 14,135,638</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, 2013 AND 2012

	<u>2013</u>			<u>2012</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Changes in Net Assets						
Revenues:						
Contributions	\$ 903,878	\$ 487,490	\$ 1,391,368	\$ 463,523	\$ 829,721	\$ 1,293,244
Less contributions to agency funds	(502,300)	-	(502,300)	(500)	-	(500)
Net contributions	<u>401,578</u>	<u>487,490</u>	<u>889,068</u>	<u>463,023</u>	<u>829,721</u>	<u>1,292,744</u>
Investment return, net of investment expense	1,138,659	1,094,943	2,233,602	931,553	732,568	1,664,121
Special events	-	67,983	67,983	-	104,297	104,297
	<u>1,540,237</u>	<u>1,650,416</u>	<u>3,190,653</u>	<u>1,394,576</u>	<u>1,666,586</u>	<u>3,061,162</u>
Net assets released from restrictions	481,938	(481,938)	-	620,206	(620,206)	-
Total revenues	<u>2,022,175</u>	<u>1,168,478</u>	<u>3,190,653</u>	<u>2,014,782</u>	<u>1,046,380</u>	<u>3,061,162</u>
Expenses:						
Program:						
Grants	1,040,691	-	1,040,691	903,007	-	903,007
Other program expenses	78,214	-	78,214	89,050	-	89,050
Less grants from agency funds	(1,700)	-	(1,700)	-	-	-
Total grants	<u>1,117,205</u>	<u>-</u>	<u>1,117,205</u>	<u>992,057</u>	<u>-</u>	<u>992,057</u>
Supporting services:						
Management and administration	238,024	-	238,024	241,523	-	241,523
Fundraising:						
Special events	11,800	-	11,800	26,946	-	26,946
Other fundraising	41,441	-	41,441	49,809	-	49,809
Total expenses	<u>1,408,470</u>	<u>-</u>	<u>1,408,470</u>	<u>1,310,335</u>	<u>-</u>	<u>1,310,335</u>
Increase in Net Assets	613,705	1,168,478	1,782,183	704,447	1,046,380	1,750,827
Net Assets - Beginning of Year	<u>6,524,137</u>	<u>7,523,697</u>	<u>14,047,834</u>	<u>5,819,690</u>	<u>6,477,317</u>	<u>12,297,007</u>
Net Assets - End of Year	<u>\$ 7,137,842</u>	<u>\$ 8,692,175</u>	<u>\$ 15,830,017</u>	<u>\$ 6,524,137</u>	<u>\$ 7,523,697</u>	<u>\$ 14,047,834</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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,782,183	\$ 1,750,827
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	2,683	1,919
Net realized and unrealized gains on investments	(1,913,200)	(1,358,888)
Increase in operating assets:		
Other assets	(7,717)	(1,124)
Increase (decrease) in operating liabilities:		
Accrued liabilities	(5,710)	3,592
Agency funds	510,977	7,514
Net cash provided by operating activities	<u>369,216</u>	<u>403,840</u>
Cash Flows from Investing Activities		
Purchases of investments	(2,251,692)	(865,729)
Proceeds from sales of investments	2,271,029	681,698
Purchases of property, software and equipment	-	(16,913)
Net cash provided by (used in) investing activities	<u>19,337</u>	<u>(200,944)</u>
Net Increase in Cash and Cash Equivalents	388,553	202,896
Cash and Cash Equivalents - Beginning of Year	<u>624,324</u>	<u>421,428</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,012,877</u>	<u>\$ 624,324</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 community philanthropy and helps donors achieve their charitable goals.

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 December 31, 2013 and 2012.

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.

NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 quarterly 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, 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 December 31, 2013, the Foundation has agency funds established for the following unrelated nonprofit organizations: Town Players of New Canaan, Inc.; Friends of Spencer's Run, Inc.; and Staying Put in New Canaan, Inc. Amounts received and distributed under these relationships totaled \$502,300 and \$1,700, respectively, for the year ended December 31, 2013 and \$500 and \$0-, respectively, for the year ended December 31, 2012.

The amounts received but not yet distributed, including income earned on investments, totaled \$580,321 and \$69,344 at December 31, 2013 and 2012, respectively, and are included on the statements of financial position in investments at fair value.

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.

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. The Foundation's informational returns for the years ended December 31, 2010 through 2013 are subject to examination by the Internal Revenue Service and the State of Connecticut.

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 March 14, 2014, 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.

NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - FAIR VALUES (Continued)

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. When, as a practical expedient, an investment is measured at fair value on the basis of net asset value, its classification as Level 2 or 3 will be impacted by the ability to redeem the investment at net asset value at the measurement date. If there is uncertainty or the inability to redeem an investment at net asset value in the near term subsequent to the measurement date, the investment is categorized as Level 3.

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.

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

NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - FAIR VALUES (Continued)

Absolute Return - The absolute return class consists of an investment in a multi-asset fund. This investment (carried at \$4,968,450 and \$4,357,643 at December 31, 2013 and 2012, respectively) is valued using the Foundation's proportionate value of the investment manager's total net asset value for the years ended December 31, 2013 and 2012. The December 31, 2013 net asset value consists of 63.4% Level 1, 23.3% Level 2 and 13.3% Level 3 fair value measurements, as defined in accounting standard, *Fair Value Measurements*. The December 31, 2012 net asset value consists of 59.9% Level 1, 27.8% Level 2 and 12.3% Level 3 fair value measurements, as defined in accounting standard, *Fair Value Measurements*. This investment is considered a Level 2 investment within the fair value hierarchy as the investment is not readily traded on an open market and there are restrictions as to who can invest in the fund.

This investment class typically involves event-driven, stressed and distressed credit, and spread-based arbitrage investments. The strategies tend to be both flexible and opportunistic. They incorporate differentiated drivers of return compared to traditional investment strategies and, as a result, they are expected to produce returns that exhibit relatively low correlation to the broad market indices over longer time horizons. Over time, the investments should generate equity-like returns with lower volatility than equity markets. The redemption period for these investments is daily redemption.

There have been no changes in the methodologies used at December 31, 2013 and 2012.

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 December 31, 2013 and 2012:

Description	2013			
	Fair Value December 31	Source of Fair Value Inputs		
		Level 1	Level 2	Level 3
Invested cash and other short-term investments	\$ 244,920	\$ 244,920	\$ -	\$ -
Mutual funds:				
Equity	3,630,544	3,630,544	-	-
Bonds	1,798,908	1,798,908	-	-
Corporate bonds	1,500,440	1,445,315	55,125	-
Common stock	3,224,817	3,224,817	-	-
Absolute return	4,968,450	-	4,968,450	-
Total	\$ 15,368,079	\$ 10,344,504	\$ 5,023,575	\$ -

NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - FAIR VALUES (Continued)

Description	2012			
	Fair Value December 31	Source of Fair Value Inputs		
		Level 1	Level 2	Level 3
Invested cash and other short-term investments	\$ 358,459	\$ 358,459	\$ -	\$ -
Mutual funds:				
Equity	3,032,558	3,032,558	-	-
Bonds	1,657,793	1,657,793	-	-
Corporate bonds	1,410,623	1,353,901	56,722	-
Common stock	2,657,140	2,657,140	-	-
Absolute return	4,357,643	-	4,357,643	-
Total	\$ 13,474,216	\$ 9,059,851	\$ 4,414,365	\$ -

There were no transfers between levels of investments during the years ended December 31, 2013 and 2012.

Investment return for the years ended December 31, 2013 and 2012, is summarized as follows:

	2013	2012
Realized and unrealized gains	\$ 1,913,200	\$ 1,358,888
Interest and dividends	440,522	431,627
	<u>2,353,722</u>	<u>1,790,515</u>
Less investment expenses	120,120	126,394
Investment Return, Net	\$ 2,233,602	\$ 1,664,121

NOTE 3 - PROPERTY, SOFTWARE AND EQUIPMENT

Property, software and equipment consist of the following at December 31, 2013 and 2012:

	2013	2012
Equipment and software	\$ 46,536	\$ 46,536
Office furniture	353	353
	<u>46,889</u>	<u>46,889</u>
Less accumulated depreciation	33,123	30,440
Property, Software and Equipment, Net	\$ 13,766	\$ 16,449

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

NOTE 3 - PROPERTY, SOFTWARE AND EQUIPMENT (Continued)

Depreciation expense for the years ended December 31, 2013 and 2012, was \$2,683 and \$1,919, respectively.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

The following is the composition of the Foundation's temporarily restricted net assets at December 31, 2013 and 2012:

	2013	2012
Purpose restrictions:		
Component funds established by donors	\$ 4,480,103	\$ 3,709,867
Scholarship	3,966,509	3,591,697
Youth philanthropy	245,563	222,133
	\$ 8,692,175	\$ 7,523,697

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 years ended December 31, 2013 and 2012, related to grants to recommended organizations amounted to \$481,938 and \$620,206, respectively.

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 statements 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.

NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - ENDOWMENT (Continued)

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.

Changes in endowment net assets for the years ended December 31, 2013 and 2012, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment net assets at January 1, 2012	\$ 5,819,690	\$ 6,477,317	\$ 12,297,007
Investment return:			
Investment income	974,875	815,640	1,790,515
Investment fees	(43,322)	(83,072)	(126,394)
Total investment return	<u>931,553</u>	<u>732,568</u>	<u>1,664,121</u>
Contributions	<u>463,023</u>	<u>829,721</u>	<u>1,292,744</u>
Special event revenue	<u>-</u>	<u>104,297</u>	<u>104,297</u>
Appropriation and expenditure of discretionary and endowment assets	<u>(690,129)</u>	<u>(620,206)</u>	<u>(1,310,335)</u>
Endowment net assets at December 31, 2012	<u>6,524,137</u>	<u>7,523,697</u>	<u>14,047,834</u>
Investment return:			
Investment income	1,173,028	1,180,694	2,353,722
Investment fees	(34,369)	(85,751)	(120,120)
Total investment return	<u>1,138,659</u>	<u>1,094,943</u>	<u>2,233,602</u>
Contributions	<u>401,578</u>	<u>487,490</u>	<u>889,068</u>
Special event revenue	<u>-</u>	<u>67,983</u>	<u>67,983</u>
Appropriation and expenditure of discretionary and endowment assets	<u>(926,532)</u>	<u>(481,938)</u>	<u>(1,408,470)</u>
Endowment Net Assets at December 31, 2013	<u>\$ 7,137,842</u>	<u>\$ 8,692,175</u>	<u>\$ 15,830,017</u>

NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - ENDOWMENT (Continued)

Total endowment funds classified as temporarily restricted net assets subject to a purpose restriction as of December 31, 2013 and 2012, are \$8,692,175 and \$7,523,697, respectively.

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.

NOTE 6 - OPERATING LEASES

The Foundation leases office space under an operating lease that expires on December 31, 2015, with annual rent of approximately \$24,800 for the year ended December 31, 2013. The annual required rental payments increase annually over the term of the lease to a maximum annual rent of approximately \$27,900. The Foundation also leases office equipment under noncancelable operating leases with terms of more than one year.

NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - OPERATING LEASES (Continued)

Future minimum lease payments under operating leases are as follows:

Year Ending December 31

2014	\$ 28,310
2015	29,123
2016	<u>707</u>
 Total	 \$ <u><u>58,140</u></u>