

NEW CANAAN COMMUNITY FOUNDATION, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of New Canaan Community Foundation, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of New Canaan Community Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about New Canaan Community Foundation, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 New Canaan Community Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about New Canaan Community Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Hartford, Connecticut
November 1, 2022

NEW CANAAN COMMUNITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 819,143	\$ 1,217,577
Investments	22,762,878	26,678,722
Other Assets	59,228	2,506
Property, Software and Equipment, Net	5,548	8,625
Total Assets	\$ 23,646,797	\$ 27,907,430
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued Liabilities	\$ 1,724	\$ 35,235
Grants Payable	137,775	109,500
Agency Funds	3,461,426	3,338,669
Total Liabilities	3,600,925	3,483,404
NET ASSETS		
Without Donor Restrictions	7,252,572	8,694,512
With Donor Restrictions	12,793,300	15,729,514
Total Net Assets	20,045,872	24,424,026
Total Liabilities and Net Assets	\$ 23,646,797	\$ 27,907,430

See accompanying Notes to Financial Statements.

NEW CANAAN COMMUNITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
CHANGES IN NET ASSETS						
Revenues:						
Federal Grant Revenue	\$ -	\$ -	\$ -	\$ 63,000	\$ -	\$ 63,000
Contributions	1,692,190	1,616,559	3,308,749	1,103,960	1,313,822	2,417,782
Less Contributions to Agency Funds	<u>(792,192)</u>	<u>-</u>	<u>(792,192)</u>	<u>(321,869)</u>	<u>-</u>	<u>(321,869)</u>
Net Contributions	899,998	1,616,559	2,516,557	845,091	1,313,822	2,158,913
Investment Return, Net of Investment Expense	(1,053,281)	(2,660,271)	(3,713,552)	1,888,354	3,513,374	5,401,728
Special Events	<u>167,775</u>	<u>-</u>	<u>167,775</u>	<u>90,150</u>	<u>-</u>	<u>90,150</u>
Subtotal	14,492	(1,043,712)	(1,029,220)	2,823,595	4,827,196	7,650,791
Net Assets Released from Restrictions	<u>1,892,502</u>	<u>(1,892,502)</u>	<u>-</u>	<u>1,149,943</u>	<u>(1,149,943)</u>	<u>-</u>
Total Revenues	1,906,994	(2,936,214)	(1,029,220)	3,973,538	3,677,253	7,650,791
Expenses:						
Program:						
Grants	2,604,063	-	2,604,063	1,973,093	-	1,973,093
Other Program Expenses	518,646	-	518,646	359,368	-	359,368
Less Grants from Agency Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,430)</u>	<u>-</u>	<u>(41,430)</u>
Total Program Expenses	3,122,709	-	3,122,709	2,291,031	-	2,291,031
Supporting Services:						
Management and Administration	99,502	-	99,502	93,704	-	93,704
Fundraising:						
Special Events	22,726	-	22,726	5,801	-	5,801
Other Fundraising	<u>103,997</u>	<u>-</u>	<u>103,997</u>	<u>77,470</u>	<u>-</u>	<u>77,470</u>
Total Expenses	<u>3,348,934</u>	<u>-</u>	<u>3,348,934</u>	<u>2,468,006</u>	<u>-</u>	<u>2,468,006</u>
INCREASE (DECREASE) IN NET ASSETS	(1,441,940)	(2,936,214)	(4,378,154)	1,505,532	3,677,253	5,182,785
Net Assets - Beginning of Year	<u>8,694,512</u>	<u>15,729,514</u>	<u>24,424,026</u>	<u>7,188,980</u>	<u>12,052,261</u>	<u>19,241,241</u>
NET ASSETS - END OF YEAR	<u><u>\$ 7,252,572</u></u>	<u><u>\$ 12,793,300</u></u>	<u><u>\$ 20,045,872</u></u>	<u><u>\$ 8,694,512</u></u>	<u><u>\$ 15,729,514</u></u>	<u><u>\$ 24,424,026</u></u>

See accompanying Notes to Financial Statements.

NEW CANAAN COMMUNITY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services	Management and General	Fundraising	Total 2022
Grants and Scholarships	\$ 2,604,063	\$ -	\$ -	\$ 2,604,063
Less Agency Endowment Funds	-	-	-	-
Total Grants and Scholarships	<u>2,604,063</u>	<u>-</u>	<u>-</u>	<u>2,604,063</u>
Salaries	236,897	21,460	59,267	317,624
Payroll Taxes	18,762	1,700	4,694	25,156
Employee Benefits	38,242	3,464	9,567	51,273
Fund Expense	107,098	-	-	107,098
Accounting and Auditing Services	-	46,012	-	46,012
Fundraising Events	22,726	-	22,726	45,452
Rent and Lease Payments	33,709	3,948	7,199	44,856
Professional Services	18,496	2,166	4,450	25,112
Software and Professional Licenses	16,350	3,008	4,310	23,668
Office Expense	11,830	11,575	1,954	25,359
Annual Appeal	3,185	-	9,554	12,739
Marketing and Advertising	8,189	354	2,366	10,909
Website Development and Maintenance	2,854	334	610	3,798
Postage and Shipping	-	3,425	-	3,425
Insurance	-	2,056	-	2,056
Meetings	308	-	26	334
Travel	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u><u>\$ 3,122,709</u></u>	<u><u>\$ 99,502</u></u>	<u><u>\$ 126,723</u></u>	<u><u>\$ 3,348,934</u></u>

See accompanying Notes to Financial Statements.

NEW CANAAN COMMUNITY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services	Management and General	Fundraising	Total 2021
Grants and Scholarships	\$ 1,973,093	\$ -	\$ -	\$ 1,973,093
Less Agency Endowment Funds	41,430	-	-	41,430
Total Grants and Scholarships	<u>1,931,663</u>	<u>-</u>	<u>-</u>	<u>1,931,663</u>
Salaries	197,423	17,431	44,213	259,067
Payroll Taxes	16,001	1,413	3,583	20,997
Employee Benefits	27,958	2,469	6,261	36,688
Fund Expense	31,195	3,653	6,662	41,510
Accounting and Auditing Services	11,809	856	3,061	15,726
Fundraising Events	15,618	1,886	3,379	20,883
Rent and Lease Payments	-	49,181	-	49,181
Professional Services	5,188	608	1,607	7,403
Software and Professional Licenses	2,258	-	6,774	9,032
Office Expense	36,386	-	-	36,386
Annual Appeal	6,301	-	5,801	12,102
Marketing and Advertising	6,358	10,232	1,358	17,948
Website Development and Maintenance	-	2,288	-	2,288
Postage and Shipping	2,644	310	564	3,518
Insurance	-	3,372	-	3,372
Meetings	190	-	-	190
Travel	39	5	8	52
	<u>39</u>	<u>5</u>	<u>8</u>	<u>52</u>
Total Expenses	<u>\$ 2,291,031</u>	<u>\$ 93,704</u>	<u>\$ 83,271</u>	<u>\$ 2,468,006</u>

See accompanying Notes to Financial Statements.

NEW CANAAN COMMUNITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (4,378,154)	\$ 5,182,785
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	3,077	3,074
Net Realized and Unrealized (Gain) Loss on Investments	4,425,942	(4,925,807)
Forgiveness of Payroll Protection Program Loan	-	(59,000)
Forgiveness of Economic Injury Disaster Loan	-	(4,000)
Increase in Operating Assets:		
Other Assets	(56,722)	(500)
Increase (Decrease) in Operating Liabilities:		
Accrued Liabilities	(33,511)	(33,804)
Grants Payable	28,275	(26,750)
Agency Funds	122,757	947,155
Net Cash Provided by Operating Activities	111,664	1,083,153
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(2,162,490)	(3,538,151)
Proceeds from Sales of Investments	1,652,392	2,398,301
Net Cash Used by Investing Activities	(510,098)	(1,139,850)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(398,434)	(56,697)
Cash and Cash Equivalents - Beginning of Year	1,217,577	1,274,274
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 819,143	\$ 1,217,577

See accompanying Notes to Financial Statements.

NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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.

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 the Foundation's net assets without donor restrictions 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.

The Foundation had no net assets held in perpetuity as of June 30, 2022 and 2021.

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
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2022, 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; New Canaan Society for the Arts; and New Canaan CARES. Amounts received under these relationships totaled \$792,192 and \$321,869 for the years ended June 30, 2022 and 2021, respectively. Distributions under these relationships totaled \$-0- and \$41,430 for the years ended June 30, 2022 and 2021, respectively.

NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Agency Funds (Continued)

The amounts received under these relationships but not yet distributed, including income earned on investments, totaled \$3,461,426 and \$3,338,669 at June 30, 2022 and 2021, 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.

The Foundation did not have any conditional contributions for the years ended June 30, 2022 and 2021.

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 accounts for uncertainty in income taxes in accordance with FASB ASC 740, *Accounting for Uncertainty in Income Taxes*. The Foundation believes that there are no uncertain tax positions with any of its open tax years and has no open tax years prior to the year ended June 30, 2020. New Canaan Community Foundation, Inc.'s tax returns are subject to examination, generally for three years after they are filed.

NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 November 1, 2022, 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
JUNE 30, 2022 AND 2021

NOTE 2 FAIR VALUES (CONTINUED)

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 \$5,015,023 and \$5,952,387 at June 30, 2022 and 2021, respectively) is valued using the Foundation's proportionate value of the investment manager's total net asset value for the years ended June 30, 2022 and 2021. 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.

NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 FAIR VALUES (CONTINUED)

Multi-Asset Fund (Continued)

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, 2022 and 2021.

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, 2022 and 2021:

	2022				
	Fair Value Measurements Using			Investments Measured at Net Asset Value (a)	Total
	Level 1	Level 2	Level 3		
Mutual Funds:					
Equity	\$ 12,285,163	\$ -	\$ -	\$ -	\$ 12,285,163
Bonds	5,368,536	-	-	-	5,368,536
Corporate Bonds	-	94,156	-	-	94,156
Multi-Asset Fund	-	-	-	5,015,023	5,015,023
Total Assets at Fair Value	<u>\$ 17,653,699</u>	<u>\$ 94,156</u>	<u>\$ -</u>	<u>\$ 5,015,023</u>	<u>\$ 22,762,878</u>
	2021				
	Fair Value Measurements Using			Investments Measured at Net Asset Value (a)	Total
	Level 1	Level 2	Level 3		
Mutual Funds:					
Equity	\$ 14,636,465	\$ -	\$ -	\$ -	\$ 14,636,465
Bonds	6,064,807	-	-	-	6,064,807
Corporate Bonds	-	25,063	-	-	25,063
Multi-Asset Fund	-	-	-	5,952,387	5,952,387
Total Assets at Fair Value	<u>\$ 20,701,272</u>	<u>\$ 25,063</u>	<u>\$ -</u>	<u>\$ 5,952,387</u>	<u>\$ 26,678,722</u>

NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 FAIR VALUES (CONTINUED)

(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, 2022 and 2021.

NOTE 3 PROPERTY, SOFTWARE, AND EQUIPMENT

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

	2022	2021
Software and Equipment	\$ 26,048	\$ 26,048
Office Furniture	5,951	5,951
Total	31,999	31,999
Less: Accumulated Depreciation	26,451	23,374
Property, Software and Equipment, Net	\$ 5,548	\$ 8,625

Depreciation expense for the years ended June 30, 2022 and 2021 was \$3,077 and \$3,074, 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:

	2022	2021
Cash and Cash Equivalents	\$ 819,143	\$ 1,217,577
Investments	6,508,152	7,610,539
Total Financial Assets Available Within One Year	\$ 7,327,295	\$ 8,828,116

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, \$619,000 has been approved for appropriation from the endowment for general expenditures in the subsequent year. This amount is included within the investments balance of \$6,508,152 reported above.

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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. 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. On March 9, 2021, the Foundation received notification of forgiveness from the SBA. As a result, the Foundation recognized federal grant revenue of \$59,000 during the year ended June 30, 2021. Forgiveness of the loan is subject to audit by the SBA for a period of six years.

As part of the application process for a loan pursuant to the Economic Injury Disaster Loan Program (EIDL), the Foundation received a \$4,000 loan advance in May 2020. The advance bears an interest rate of 1.00% per annum with principal and interest scheduled to be paid in monthly installments beginning December 15, 2020. Upon receipt of the proceeds from the PPP loan, the Foundation withdrew the application for the EIDL loan. In January 2021, the Foundation was notified of forgiveness of the advancement. As a result, the Foundation recognized federal grant revenue of \$4,000 during the year ended June 30, 2021.

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

The following is the composition of the Foundation's net assets with donor restrictions at June 30, 2022 and 2021:

	2022	2021
Purpose Restrictions:		
Component Funds Established by Donors	\$ 8,444,513	\$ 10,388,953
Scholarships	4,097,917	5,020,239
Youth Philanthropy	250,870	320,322
Total	\$ 12,793,300	\$ 15,729,514

Net assets with donor restrictions released from restriction for the years ended June 30, 2022 and 2021 in the amounts of \$1,892,502 and \$1,149,943, respectively, related to grants awarded to recommended organizations.

NEW CANAAN COMMUNITY FOUNDATION, INC.
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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.

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.

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NOTE 7 ENDOWMENT (CONTINUED)

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

	Without Donor Restrictions	With Donor Restriction	Total
Endowment Net Assets at July 1, 2020	\$ 7,188,980	\$ 12,052,261	\$ 19,241,241
Investment Return, Net of Investment Expense	1,888,354	3,513,374	5,401,728
Contributions	782,091	1,313,822	2,095,913
Special Event Revenue	90,150	-	90,150
Appropriation and Expenditure of Discretionary and Endowment Assets	<u>(1,255,063)</u>	<u>(1,149,943)</u>	<u>(2,405,006)</u>
Endowment Net Assets at June 30, 2021	8,694,512	15,729,514	24,424,026
Investment Return, Net of Investment Expense	(1,053,281)	(2,660,271)	(3,713,552)
Contributions	899,998	1,616,559	2,516,557
Special Event Revenue	167,775	-	167,775
Appropriation and Expenditure of Discretionary and Endowment Assets	<u>(1,456,432)</u>	<u>(1,892,502)</u>	<u>(3,348,934)</u>
Endowment Net Assets at June 30, 2022	<u>\$ 7,252,572</u>	<u>\$ 12,793,300</u>	<u>\$ 20,045,872</u>

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

**NEW CANAAN COMMUNITY FOUNDATION, INC.
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NOTE 7 ENDOWMENT (CONTINUED)

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 \$41,847 and \$40,404 for the years ended June 30, 2022 and 2021, 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 \$2,014 and \$3,910 for the years ended June 30, 2022 and 2021, respectively.

Future minimum lease payments under operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 44,394
2024	45,837
2025	736
2026	-
Total	<u>\$ 90,967</u>

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, 2022 and 2021, \$100 and \$219,478 has been received and \$83,390 and \$288,500 has been granted from this fund, respectively.

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