**NEW CANAAN COMMUNITY FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2023 AND 2022**

**NEW CANAAN COMMUNITY FOUNDATION, INC.**
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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, 2023 and 2022, 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, 2023 and 2022, 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 audits 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.

### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, in 2023 New Canaan Community Foundation, Inc. adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

### *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 8, 2023

**NEW CANAAN COMMUNITY FOUNDATION, INC.**
**STATEMENTS OF FINANCIAL POSITION**
**JUNE 30, 2023 AND 2022**

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| Cash and Cash Equivalents | $ 863,319 | $ 819,143 |
| Investments | 24,816,317 | 22,762,878 |
| Other Assets | 38,944 | 59,228 |
| Property, Software, and Equipment, Net | 2,471 | 5,548 |
| Right-of-Use Asset - Operating, Net | 47,559 | - |
| Total Assets | $ 25,768,610 | $ 23,646,797 |
| **LIABILITIES AND NET ASSETS** | | |
| **LIABILITIES** | | |
| Accrued Liabilities | $ 35,062 | $ 1,724 |
| Grants Payable | 167,450 | 137,775 |
| Agency Funds | 3,903,960 | 3,461,426 |
| Right-of-Use Liabilities - Operating | 48,279 | - |
| Total Liabilities | 4,154,751 | 3,600,925 |
| **NET ASSETS** | | |
| Without Donor Restrictions | 7,928,143 | 7,252,572 |
| With Donor Restrictions | 13,685,716 | 12,793,300 |
| Total Net Assets | 21,613,859 | 20,045,872 |
| Total Liabilities and Net Assets | $ 25,768,610 | $ 23,646,797 |

*See accompanying Notes to Financial Statements.*

# NEW CANAAN COMMUNITY FOUNDATION, INC.
## STATEMENTS OF ACTIVITIES
## YEARS ENDED JUNE 30, 2023 AND 2022

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| **REVENUES** | | | | | | |
| Contributions | $ 1,085,912 | $ 981,611 | $ 2,067,523 | $ 1,645,696 | $ 1,562,309 | $ 3,208,005 |
| Less: Contributions to Agency Funds | (105,045) | - | (105,045) | (792,192) | - | (792,192) |
| Net Contributions | 980,867 | 981,611 | 1,962,478 | 853,504 | 1,562,309 | 2,415,813 |
| Investment Return, Net of Investment Expense | 963,494 | 1,253,316 | 2,216,810 | (1,053,281) | (2,660,271) | (3,713,552) |
| Special Events | 132,588 | - | 132,588 | 167,775 | - | 167,775 |
| Subtotal | 2,076,949 | 2,234,927 | 4,311,876 | (32,002) | (1,097,962) | (1,129,964) |
| Net Assets Released from Restrictions | 1,342,511 | (1,342,511) | - | 1,838,252 | (1,838,252) | - |
| Total Revenues | 3,419,460 | 892,416 | 4,311,876 | 1,806,250 | (2,936,214) | (1,129,964) |
| **EXPENSES** | | | | | | |
| Program: | | | | | | |
| Grants | 1,925,904 | - | 1,925,904 | 2,503,319 | - | 2,503,319 |
| Other Program Expenses | 538,579 | - | 538,579 | 518,646 | - | 518,646 |
| Total Program Expenses | 2,464,483 | - | 2,464,483 | 3,021,965 | - | 3,021,965 |
| Supporting Services: | | | | | | |
| Management and Administration | 130,826 | - | 130,826 | 99,502 | - | 99,502 |
| Fundraising: | | | | | | |
| Special Events | 14,949 | - | 14,949 | 22,726 | - | 22,726 |
| Other Fundraising | 133,631 | - | 133,631 | 103,997 | - | 103,997 |
| Total Supporting Services Expenses | 279,406 | - | 279,406 | 226,225 | - | 226,225 |
| Total Expenses | 2,743,889 | - | 2,743,889 | 3,248,190 | - | 3,248,190 |
| **CHANGE IN NET ASSETS** | 675,571 | 892,416 | 1,567,987 | (1,441,940) | (2,936,214) | (4,378,154) |
| Net Assets - Beginning of Year | 7,252,572 | 12,793,300 | 20,045,872 | 8,694,512 | 15,729,514 | 24,424,026 |
| **NET ASSETS - END OF YEAR** | $ 7,928,143 | $ 13,685,716 | $ 21,613,859 | $ 7,252,572 | $ 12,793,300 | $ 20,045,872 |

*See accompanying Notes to Financial Statements.*

**NEW CANAAN COMMUNITY FOUNDATION, INC.**
**STATEMENT OF FUNCTIONAL EXPENSES**
**YEAR ENDED JUNE 30, 2023**

| | Program Services | Management and General | Fundraising | Total 2023 |
|---|---|---|---|---|
| Grants and Scholarships | $ 1,925,904 | $ - | $ - | $ 1,925,904 |
| Salaries | 242,584 | 22,285 | 69,278 | 334,147 |
| Payroll Taxes | 17,089 | 1,570 | 4,881 | 23,540 |
| Employee Benefits | 28,524 | 2,620 | 8,146 | 39,290 |
| Professional Services | 56,288 | 9,351 | 16,322 | 81,961 |
| Fundraising Events | 44,847 | | 14,949 | 59,796 |
| Fund Expense | 57,307 | - | - | 57,307 |
| Accounting and Auditing Services | - | 54,792 | - | 54,792 |
| Rent and Lease Payments | 34,447 | 3,165 | 9,836 | 47,448 |
| Office Expense | 17,911 | 7,837 | 2,716 | 28,464 |
| Software and Professional Licenses | 14,017 | 2,523 | 4,652 | 21,192 |
| Annual Appeal | 4,360 | - | 13,079 | 17,439 |
| Gift-In-Kind Expense | - | 15,613 | 125 | 15,738 |
| Marketing and Advertising | 9,049 | 378 | 2,820 | 12,247 |
| Meetings | 9,221 | - | 937 | 10,158 |
| Insurance | - | 7,319 | - | 7,319 |
| Postage and Shipping | - | 3,104 | - | 3,104 |
| Website Development and Maintenance | 2,226 | 204 | 636 | 3,066 |
| Travel | 709 | 65 | 203 | 977 |
| Total Expenses by Function | $ 2,464,483 | $ 130,826 | $ 148,580 | $ 2,743,889 |

*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 | $ 2,503,319 | $ - | $ - | $ 2,503,319 |
| 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 |
| Professional Services | 18,496 | 2,166 | 4,450 | 25,112 |
| Fundraising Events | 22,726 | - | 22,726 | 45,452 |
| Fund Expense | 107,098 | - | - | 107,098 |
| Accounting and Auditing Services | - | 46,012 | - | 46,012 |
| Rent and Lease Payments | 33,709 | 3,948 | 7,199 | 44,856 |
| Office Expense | 11,830 | 11,575 | 1,954 | 25,359 |
| Software and Professional Licenses | 16,350 | 3,008 | 4,310 | 23,668 |
| Annual Appeal | 3,185 | - | 9,554 | 12,739 |
| Marketing and Advertising | 8,189 | 354 | 2,366 | 10,909 |
| Meetings | 308 | - | 26 | 334 |
| Insurance | - | 2,056 | - | 2,056 |
| Postage and Shipping | - | 3,425 | - | 3,425 |
| Website Development and Maintenance | 2,854 | 334 | 610 | 3,798 |
| Total Expenses by Function | $ 3,021,965 | $ 99,502 | $ 126,723 | $ 3,248,190 |

*See accompanying Notes to Financial Statements.*

**NEW CANAAN COMMUNITY FOUNDATION, INC.**
**STATEMENTS OF CASH FLOWS**
**YEARS ENDED JUNE 30, 2023 AND 2022**

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in Net Assets | $ 1,567,987 | $ (4,378,154) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided ( Used) by Operating Activities: | | |
| Depreciation | 3,077 | 3,077 |
| Net Realized and Unrealized (Gain) Loss on Investments | (2,469,076) | 4,425,942 |
| Operating Cash Flows from Operating Leases | 720 | - |
| (Increase) Decrease in Operating Assets: | | |
| Other Assets | 20,284 | (56,722) |
| Increase (Decrease) in Operating Liabilities: | | |
| Accrued Liabilities | 33,338 | (33,511) |
| Grants Payable | 29,675 | 28,275 |
| Agency Funds | 442,534 | 122,757 |
| Net Cash Provided (Used) by Operating Activities | (371,461) | 111,664 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of Investments | (148,599) | (1,674,594) |
| Proceeds from Sales of Investments | 564,236 | 1,164,496 |
| Net Cash Provided (Used) by Investing Activities | 415,637 | (510,098) |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | 44,176 | (398,434) |
| Cash and Cash Equivalents - Beginning of Year | 819,143 | 1,217,577 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 863,319 | $ 819,143 |
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION** | | |
| Equipment and Office Space Received in Exchange for Operating Leases | $ 90,604 | $ - |

*See accompanying Notes to Financial Statements.*

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of Organization

New Canaan Community Foundation, Inc. (the Foundation) was founded in 1977. The Foundation addresses its community's needs by providing leadership on local issues, making impactful grants, and facilitating New Canaan's effective charitable giving.

### Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Foundation adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Foundation has elected to adopt the package of practical expedients available in the year of adoption. The Foundation has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Foundation's ROU assets. The election of the hindsight practical expedient resulted in no changes to existing lease terms.

The Foundation elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Foundation recognized on July 1, 2022, a lease liability of $90,604, which represents the present value of the remaining operating lease payments of $92,448, discounted using a risk-free rate of return ranging between 1.68% - 3.77% and a ROU asset of $90,604, which represents the operating lease liability of $90,604.

## NOTE 1 SUMMARY OF SIGNIFICANT ACOCUNTING POLICIES (CONTINUED)

### Adoption of New Accounting Standards (Continued)

The standard had a material impact on the statements of financial position but did not have an impact on the statements of activities, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

### 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, 2023 and 2022.

### 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. 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.

## 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.

### Leases

The Foundation leases certain office space and office equipment. The Foundation determines if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets, and operating lease ROU liabilities on the statements of financial position as of June 30, 2023 and 2022.

ROU assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Foundation uses a risk free rate based on information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Foundation has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statement of financial position.

The Foundation has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The Foundation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Foundation considers factors such as if the Foundation has obtained substantially all of the rights to the underlying asset through exclusivity, if the Foundation can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Foundation has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

### 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, 2023, 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 $105,045 and $792,192 for the years ended June 30, 2023 and 2022, respectively. There were no distributions under these funds for the years ended June 30, 2023 and 2022, respectively.

The amounts received under these relationships but not yet distributed, including income earned on investments, totaled $3,903,960 and $3,461,426 at June 30, 2023 and 2022, respectively, and are included on the statements of financial position in investments and liabilities.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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, 2023 and 2022.

### 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 (IRC). 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 position with any of its open tax years and has no open tax years prior to the year ended June 30, 2021. New Canaan Community Foundation, Inc.'s tax returns are subject to examination, generally for three years after they are filed.

### 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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Reclassifications**

Certain amounts in the 2022 financial statements were reclassified to conform to current year presentation.

**Subsequent Events**

In preparing these financial statements, management has evaluated subsequent events through November 8, 2023, 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.

## 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 Stock* – 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 $5,537,508 and $5,015,023 at June 30, 2023 and 2022, respectively) is valued using the Foundation's proportionate value of the investment manager's total net asset value for the years ended June 30, 2023 and 2022. 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.

## NOTE 2 FAIR VALUES (CONTINUED)

There have been no changes in the methodologies used at June 30, 2023 and 2022.

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:

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Fair Value Measurements Using | | | Investments Measured at Net Asset Value (a) | Total |
| | Level 1 | Level 2 | Level 3 | | |
| Mutual Funds: | | | | | |
| Equity | $ 13,887,343 | $ - | $ - | $ - | $ 13,887,343 |
| Bonds | 5,339,482 | - | - | - | 5,339,482 |
| Corporate Bonds | - | 324 | - | - | 324 |
| Common Stocks | 51,660 | - | - | - | 51,660 |
| Multi-Asset Fund | - | - | - | 5,537,508 | 5,537,508 |
| Total Assets at Fair Value | $ 19,278,485 | $ 324 | $ - | $ 5,537,508 | $ 24,816,317 |

| | 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 | $ 17,653,699 | $ 94,156 | $ - | $ 5,015,023 | $ 22,762,878 |

(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, 2023 and 2022.

## NOTE 3 PROPERTY, SOFTWARE, AND EQUIPMENT

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

| | 2023 | 2022 |
|---|---|---|
| Software and Equipment | $ 26,048 | $ 26,048 |
| Office Furniture | 5,951 | 5,951 |
| Total | 31,999 | 31,999 |
| Less: Accumulated Depreciation | 29,528 | 26,451 |
| Property, Software, and Equipment, Net | $ 2,471 | $ 5,548 |

Depreciation expense for the years ended June 30, 2023 and 2022 was $3,077 each year.

## 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:

| | 2023 | 2022 |
|---|---|---|
| Cash and Cash Equivalents | $ 863,319 | $ 819,143 |
| Investments | 7,226,641 | 6,508,152 |
| Total Financial Assets Available Within One Year | $ 8,089,960 | $ 7,327,295 |

**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, $760,000 has been approved for appropriation from the endowment for general expenditures in the subsequent year. This amount is included within the investments balance reported above.

## NOTE 5 LOANS PAYABLE

The Foundation received proceeds from loans under the Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan Program (EIDL) totaling $63,000 in May 2020. These loans were both forgiven in full 2021 and the Foundation recorded the forgiveness of these loans as federal grant revenue during the year ended June 30, 2021. Forgiveness of the PPP loan is subject to audit by the SBA for a period of six years.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty, however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

## NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

The following is the composition of the Foundation's net assets with donor restrictions at June 30, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Purpose Restrictions: | | |
| Component Funds Established by Donors | $ 9,091,128 | $ 8,444,513 |
| Scholarships | 4,335,693 | 4,097,917 |
| Youth Philanthropy | 258,895 | 250,870 |
| Total | $ 13,685,716 | $ 12,793,300 |

Net assets with donor restrictions released from restriction for the years ended June 30, 2023 and 2022 in the amounts of $1,342,511 and $1,838,252, 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.

**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.

## NOTE 7 ENDOWMENT (CONTINUED)

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

| June 30, 2022 | Without Donor Restrictions | With Donor Restriction | Total |
|---|---|---|---|
| Endowment Net Assets - Beginning of Year | $ 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, Net of Contributions to Agency Funds | 853,504 | 1,562,309 | 2,415,813 |
| Special Event Revenue | 167,775 | - | 167,775 |
| Appropriation and Expenditure of Discretionary and Endowment Assets | (1,409,938) | (1,838,252) | (3,248,190) |
| Endowment Net Assets - End of Year | $ 7,252,572 | $ 12,793,300 | $ 20,045,872 |
| **June 30, 2023** | | | |
| Endowment Net Assets - Beginning of Year | $ 7,252,572 | $ 12,793,300 | $ 20,045,872 |
| Investment Return, Net of Investment Expense | 963,494 | 1,253,316 | 2,216,810 |
| Contributions, Net of Contributions to Agency Funds | 980,867 | 981,611 | 1,962,478 |
| Special Event Revenue | 132,588 | - | 132,588 |
| Appropriation and Expenditure of Discretionary and Endowment Assets | (1,401,378) | (1,342,511) | (2,743,889) |
| Endowment Net Assets - End of Year | $ 7,928,143 | $ 13,685,716 | $ 21,613,859 |

### 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.

## 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 LEASES – ASC 842

The Foundation leases certain office space and office equipment for various terms under long-term, non-cancelable lease agreements that expire at various dates through 2028. Additionally, the agreements generally require the Foundation to pay property taxes, utilities, insurance, and repairs.

The following table provides quantitative information concerning the Foundation's leases for the year ended June 30, 2023.

| | | |
|---|---|---|
| Lease Cost: | | |
| Operating Lease Costs | $ | 44,200 |
| Short-Term Lease Costs | | 372 |
| Total Lease Costs | $ | 44,572 |
| Other Information: | | |
| Cash Paid for Amounts Included in the Measurement of Lease Liabilities: | | |
| Operating Cash Flows from Operating Leases | $ | 43,480 |
| Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities | $ | 90,604 |
| Weighted-Average Remaining Lease Term | | 1.3 Years |
| Weighted-Average Discount Rate | | 1.86% |

## NOTE 8 LEASES – ASC 842 (CONTINUED)

The Foundation classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2024 | $ 45,840 |
| 2025 | 1,104 |
| 2026 | 1,104 |
| 2027 | 828 |
| 2028 | 92 |
| Undiscounted Cash Flows | 48,968 |
| (Less) Imputed Interest | (689) |
| Total Present Value | $ 48,279 |

## NOTE 9 LEASES – ASC 840

The Foundation leases office space under an operating lease that expires on June 30, 2024, with rent of $41,847 for the year ended June 30, 2022. 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 $1,014 for the year ended June 30, 2022.

Future minimum lease payments under operating leases are as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2023 | $ 44,394 |
| 2024 | 45,837 |
| 2025 | 736 |
| Total | $ 90,967 |

## NOTE 10 CONTINGENCIES

The economic climate has caused significant volatility in the investment markets that may result in declines in the value of the investments. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.