

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Audited Financial Statements

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For the Year Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Northwest Connecticut Community Foundation

We have audited the accompanying financial statements of the Northwest Connecticut Community Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers 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 the Northwest Connecticut Community Foundation as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Northwest Connecticut Community Foundation's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 8, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it was derived.

King, King & Associates

King, King & Associates, CPAs
Winsted, CT
April 4, 2018

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Statement of Financial Position
December 31, 2017
(With Comparative Totals for 2016)

ASSETS:	Unrestricted	Temporarily Restricted	Totals	
	2017	2016	2017	2016
Cash and Cash Equivalents	\$ 3,374,886	\$ 7,349	\$ 3,382,235	\$ 645,161
Investments	106,306,827	120,000	106,426,827	92,901,291
Contribution Receivable	500	-	500	150,000
Prepaid Expenses	19,178	-	19,178	7,705
Security Deposit	3,995	-	3,995	1,200
Beneficial Interest in Remainder Trusts	-	224,764	224,764	169,153
Beneficial Interest in Perpetual Trust	189,428	-	189,428	165,521
Fixed Assets, net of \$103,061 and \$88,937				
Accumulated Depreciation	104,635	-	104,635	28,687
Total Assets	\$ 109,999,449	\$ 352,113	\$ 110,351,562	\$ 94,068,718
 LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 9,341	\$ -	\$ 9,341	\$ 925
Grants Payable	1,279,110	-	1,279,110	949,585
Agency Endowment Funds	20,374,567	-	20,374,567	17,273,628
Lease Obligation	49,466	-	49,466	-
Total Liabilities	21,712,484	-	21,712,484	18,224,138
 Net Assets:				
Unrestricted	88,286,965	-	88,286,965	75,549,418
Temporarily Restricted	-	352,113	352,113	295,162
Total Net Assets	88,286,965	352,113	88,639,078	75,844,580
Total Liabilities and Net Assets	\$ 109,999,449	\$ 352,113	\$ 110,351,562	\$ 94,068,718

The accompanying notes are an integral part of this financial statement.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Statement of Activities

For the Year Ended December 31, 2017

(With Comparative Totals for 2016)

	Unrestricted	Temporarily Restricted	Totals
	2017	2016	2016
Revenues, Gains and Other Support:			
Fund Contributions	\$ 4,558,575		
Less: Contributions to Agency Funds	(1,339,406)	\$ -	\$ 1,031,204
Non-Cash Contributions	-	-	30,300
CIV of Split-Interest Agreements	-	55,611	110,641
Initiative Contributions	3,500	12,341	7,237
Fundraising Events	7,110		
Less Direct Donor Benefits	(3,375)		
Investment Income	3,735	-	-
Miscellaneous Income	13,195,112	-	4,362,932
Unfulfilled Grant Awards	1,034	-	4,317
Administrative Fees	1,873	-	2,073
Seminar Income	142,994	-	125,359
Net Assets Released from Restrictions	8,000	-	515
	<u>11,001</u>	<u>(11,001)</u>	<u>-</u>
Total Revenues	16,586,418	56,951	5,674,578
Expenses:			
Direct Community Support	3,114,612	-	2,332,597
Program Services	528,108	-	454,231
Management and General	246,243	-	209,971
Fundraising	117,051	-	132,742
	<u>4,006,014</u>	<u>4,006,014</u>	<u>3,129,541</u>
Total Expenses	4,006,014	4,006,014	3,129,541
Changes in Net Assets Before Other Changes	12,580,404	56,951	2,545,037
Other Changes in Net Assets:			
Decrease in Contribution Receivable	(109,765)	-	-
Reclassification of Agency Fund	267,107	-	-
Loss on Disposal of Fixed Assets	(199)	-	-
	<u>157,143</u>	<u>157,143</u>	<u>-</u>
Total Other Changes in Net Assets	157,143	157,143	-
Changes in Net Assets	12,737,547	56,951	2,545,037
Net Assets - Beginning of Year	75,549,418	295,162	73,299,543
Net Assets - End of Year	\$ 88,286,965	\$ 352,113	\$ 75,844,580

The accompanying notes are an integral part of this financial statement.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Statements of Cash Flows
December 31, 2017 and 2016

	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 12,794,498	\$ 2,545,037
Adjustments:		
Realized and Unrealized (Gain) Loss on Investments	(10,488,731)	(3,190,296)
Depreciation & Amortization	14,336	9,324
Loss on Disposal of Assets	199	-
Decrease/(Increase) in Assets:		
Beneficial Interest in Perpetual Trust	(23,907)	(2,337)
Beneficial Interest in Remainder Trusts	(55,611)	(110,641)
Contribution Receivable	149,500	1,500,000
Security Deposit	(2,795)	-
Prepaid Expenses	(11,473)	1,713
Increase/(Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	8,416	(806)
Grants Payable	329,525	(248,565)
	<u>2,713,957</u>	<u>503,429</u>
<i>Net cash flow provided (used) from operating activities</i>		
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Equipment	(90,483)	(3,262)
Purchases of Investments	(4,539,894)	(6,118,152)
Proceeds of Investments	1,503,089	1,720,705
Net Increase in Agency Endowment Funds	3,100,939	3,955,973
	<u>(26,349)</u>	<u>(444,736)</u>
<i>Net cash flow (used) provided by investing activities</i>		
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds of Captial Lease	58,195	-
Repayment of Capital Lease	(8,729)	-
	<u>49,466</u>	<u>-</u>
<i>Net increase/(decrease) in cash flows</i>	2,737,074	58,693
Cash at Beginning of Year	645,161	586,468
Cash at End of Year	\$ 3,382,235	\$ 645,161
Supplemental Disclosure:		
Interest Paid	\$ 1,622	\$ -
Income Taxes Paid	\$ -	\$ -

The accompanying notes are an integral part of this financial statement.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Foundation

The Northwest Connecticut Community Foundation (the Foundation) is a tax-exempt, nonprofit organization, autonomous, publicly supported, non-sectarian philanthropic institution with a long-term goal of building permanent, named component funds established by many separate donors for the broad-based benefit of the residents of Barkhamsted, Bethlehem, Canaan, Colebrook, Cornwall, Goshen, Hartland, Harwinton, Kent, Litchfield, Morris, New Hartford, Norfolk, North Canaan, Sharon, Salisbury, Torrington, Warren, Washington, and Winsted. The Foundation will, as designated by a donor's gift instrument, expand the scope of its philanthropic activities and initiatives without restriction, to any geographic location. Income and appreciation from investments, based on a total return approach is distributed in the form of grants and scholarships annually to qualified public charities and students as chosen by the Foundation's Board of Directors. Its mission is to enrich the quality of life for residents of northwest Connecticut by inspiring local philanthropy, convening stakeholders in the community welfare, strengthening the regional nonprofit network and fostering collaborative funding partnerships.

The financial statements include the combined accounts of the various funds held in trust for the Foundation, various other trusts, a Type 1 supporting organization and a Type 1 multi-member supporting organization. All significant transactions and balances between these funds and trusts have been eliminated.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Revenue is recognized when earned and expenditures when incurred.

Income Tax Status

The Foundation is classified as a non-profit foundation exempt from federal income taxes under Section 501(c)(3) and 509(a)(1) of the Internal Revenue Code.

Variance Power

Generally accepted accounting principles 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 contributions 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. The Board of Directors has adopted a policy describing the criteria and limited circumstances under which the Foundation would exercise this power. Accordingly, the Foundation's financial statements classify substantially all funds, including the corpus of the funds, as unrestricted net assets, but segregate for internal management and invested fund record keeping the portion that is held as invested funds from the funds that are currently available for grants administration. The Foundation does not have any assets that would be considered permanently restricted. Temporarily restricted net assets represent charitable remainder trusts, amounts receivable in future periods, and restricted grant funds.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires estimates by management. The actual results of operations may differ from management's estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash equivalents maintained in investment accounts for re-investment are excluded from cash and are reported as investments.

Endowment

The Financial Accounting Standards Board (FASB) issued staff position No. FAS 117-1: *Endowments of Not-For-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds* (FAS 117-1). FAS 117-1 provides accounting standards on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). FAS 117-1 also provides for other disclosures concerning an organization's endowment funds and whether or not the organization is subject to UPMIFA. The State of Connecticut adopted its version of UPMIFA, which became effective October 1, 2007 (CTPMIFA). Prior to the issuance of FAS 117-1, accumulated gains and income on donor restricted endowment assets were classified as unrestricted net assets in accordance with the Uniform Management of Institutional Funds Act (UMIFA). Under SP No. 117-1, accumulated gains and income on donor-restricted endowment assets of perpetual duration are classified as temporarily restricted net assets until appropriated for expenditure.

Investments

Substantially all marketable investments in equities and debt securities are carried at fair value based upon quoted market prices. Real estate investments are typically received through estates and are carried at the value determined by the estate appraisal. For limited marketability investments, including alternative investments, which are principally absolute return strategies, private equity, hedged equity and real estate, the carrying value, is the estimated fair value as determined by the general partner in these limited partnerships. Because alternative investments are not immediately marketable given the nature of the underlying strategies and the terms of the governing partnership agreements, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that may be received if a ready market for the investments had been in existence, and the difference could be material. The Foundation's alternative investments accessed through limited partnerships are determined by the general partner to be at fair value pursuant to FASB ASC 820-10, as further discussed below, after it considers certain pertinent factors, including, but not limited to, the partner's share of the underlying limited partnership's net assets, liquidity features of the partnership, the underlying portfolio of holdings, the current market conditions for observable, corroborated or correlated transactions, comparable or similar products' fair valuations, external assessments of the limited partnerships' holdings and the audit opinion from the independent auditor of the limited partnership.

The Foundation also holds a limited amount of non-publicly traded investments at cost totaling \$120,000 and \$120,000 for the years ended December 31, 2017 and 2016.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Fair Value of Financial Instruments

In accordance with FASB ASC 820-10, the Foundation is required to measure the fair value of its assets and liabilities under a three-level hierarchy. The funds' investment advisors classified the fund's assets and liabilities into three levels based on the inputs used to value the assets or liabilities.

Level 1: Observation inputs from quoted market prices in active markets for identical assets as of the measurement date.

Level 2: Values are based on significant observable market inputs such as:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets in markets that are not active;
- c. Observable inputs other than quoted prices for the asset or liability;
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: In addition to observable inputs, values are partially based on significant *unobservable inputs* for the asset or liability, and reflect the investment advisor's determination of assumptions that market participants might reasonable use in valuing the securities. Unobservable inputs should only be used to measure the fair value to the extent that observable inputs are not available. Valuation methodologies used include, but are not limited to, discounted cash flow analysis, comparable asset analysis, third party appraisals, third party pricing services, and other applicable indices.

The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investment. For example, U.S. government securities are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market. In accordance with FASB ASC 820-10, the Foundation's carrying amount of cash and cash equivalents and grants payable approximate fair value under Level 1. Investments are carried at fair value based on Level 1 and Level 2 observable inputs and are presented in Note 7. Fixed Income securities, including short-term securities purchased with more than 60 days left to maturity, are generally valued at prices obtained from one or more pricing vendors. Management has elected to report all split-interest agreements at fair value based on the life expectancy of the beneficiary and the net present value of the expected cash flows using current discount rates. Agency funds are carried at fair value based on the underlying investments. Derivatives instruments are part of the investment pool, and are measured at fair value based on Level 2 inputs. Certain of the Foundation's alternative investments use stock indices, swaps, options, convertible securities, and foreign currency exchange contracts, which are classified as derivatives. The Foundation does not use derivatives for speculative purposes or for leveraging returns, but rather these instruments are used with the objectives of reducing overall portfolio risk and/or lowering the cost of investment management. Charitable Remainder Trusts are measured using Level 3 inputs, including present value rates based on estimated inflation. The Foundation believes that the carrying amount of its investments is a reasonable fair value as of December 31, 2017.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Investment Policy

Diversification of Investments is one of the Investment Committee's primary strategies for fulfilling the Foundation's investment policy. Because the selection and weighting of asset classes greatly determines investment return and volatility, allocation methods for various asset classes have been established within the following ranges.

U.S. Large/Mid Cap Equities	10% - 32%
U.S. Small Cap Equities	3% - 10%
Non-U.S. Developed Equities	10% - 25%
Non-U.S. Emerging Equities	2% - 8%
Opportunistic	0% - 20%
Bonds	12% - 40%
Private Assets	0% - 20%
Hedge Funds	0% - 25%
Cash & Cash Equivalents	0% - 10%

External investment managers, who are selected and overseen by the Foundation's Investment Committee, are retained to implement actual asset allocation and specific investment selections. Managers are required to operate within the Asset Allocation model.

The John T. and Jane A. Wiederhold Foundation operates as a supporting organization to the Foundation and maintains its own investment policy, which is on file at the Foundation.

Spending Policy

The Foundation's Spending Policy, which is determined annually by the Board of Directors, sets the year's spending as a percentage of the endowment assets based on a twelve trailing quarterly average. The Board can determine the spending rate from a range, with a minimum of 4.25% to a maximum of 5.75%, the normal target being 5.00%.

Property and Equipment

All acquisitions of property and equipment in excess of \$2,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets.

Furniture and Equipment	5-10 years
Computer Equipment and Software	3-5 years
Website	3 years

Compensated Absences

Vacation and personal days are considered expenditures in the year paid. Under current policy, employees use vacation time in the year earned and cannot carry forward time to the next fiscal year unless approved by the president. Compensated absences are not accrued as the liability is considered immaterial.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Contributions and Classification of Net Assets

Gifts of cash and other assets received are reported as unrestricted revenue and net assets, unless subject to time restrictions. When a donor stipulated time restriction ends, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as restrictions satisfied by payment/scholarship. Restricted contributions are reported as increases to unrestricted net assets when restrictions expire (that is, when a stipulated restriction of time ends or purpose is accomplished) in the reporting period that the contributions are reported as revenues.

Donations of land, buildings, equipment and other long-lived assets are also reported as unrestricted revenue and net assets, unless subject to time restrictions. Funds established by an unrelated not-for-profit organization using its own funds and for its own benefit are classified by the Foundation as a liability, rather than as a net asset, in accordance with FASB ASC 958-605, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others. The Foundation refers to such funds as agency funds. As described in Note 2, the Foundation maintains legal ownership of agency funds, and as such continues to report the funds as offsetting assets and liabilities. The changes in such agency funds are summarized in Note 5 "Transactions in Funds Held for Other Agencies."

Donated Assets

Donated marketable securities and other non-cash donations are generally recorded as contributions at their fair values at the date of donation. The Foundation holds a donation of stock and the fair value is not readily determinable. The Foundation will evaluate whether events or changes in circumstances have occurred that may have a significant adverse effect of fair value.

Investment Income

Investment income includes interest and dividends earned on savings accounts, as well as any other form of investment income, such as realized and unrealized gains. Restricted gains and investment income whose restrictions are met in the same reporting period are reported as unrestricted support.

Grant Awards

Grant awards are recorded as expenses when approved by the Foundation and when grant terms do not include material conditions. Grants payable at year-end represent amounts awarded but unpaid, where the likelihood of non-payment is remote.

Expense Allocation

Certain costs have been allocated among the programs and supporting services benefited based on historical experience.

Donated Services

No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the overall management and operation of the Foundation.

Advertising Expense

All advertising and marketing costs are expensed in the period incurred as any future economic benefit cannot be quantified.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Review for Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through April 4, 2018, which represents the date that these statements were available to be issued.

NOTE 2 - DETAIL NOTES ON ASSETS, LIABILITIES, AND NET ASSETS

Cash and Cash Equivalents

At December 31, 2017, the carrying amounts of the Foundation's deposits were \$3,382,235 and the bank balance was \$3,430,124, of which the FDIC insured \$306,729. The remaining \$3,123,395 was uninsured.

Contribution Receivable

The Foundation was named beneficiary of an estate in a prior year. During the year, \$39,735 was received. The outstanding balance to be received was revised, and \$500 is estimated to be received in 2018.

Investments

A portion of the Foundation's invested assets are held in the Managed Pool of the Community Foundation for Greater New Haven. The amount reported at year-end is disclosed in Note 6. The Fund established is for the sole and exclusive benefit of the Foundation and the Foundation may remove its assets from the Managed Pool with an advance notice of 60 days. Investment return consists of the following:

	<u>2017</u>	<u>2016</u>
Dividends and Interest	\$ 3,093,697	\$ 1,559,773
Net Realized and Unrealized Gain/(Loss) on Investments	10,488,731	3,190,296
Investment Management Fees	<u>(387,316)</u>	<u>(387,137)</u>
	<u>\$ 13,195,112</u>	<u>\$ 4,362,932</u>

Fixed Assets

Fixed Assets consist of the following:

	<u>2017</u>	<u>2016</u>
Furniture and Fixtures	\$ 103,487	\$ 30,319
Leasehold Improvements	15,033	-
Computer Equipment and Software	55,439	53,567
Rebranding	20,255	20,255
Website	<u>13,483</u>	<u>13,483</u>
	207,697	117,624
Accumulated Depreciation	<u>(103,062)</u>	<u>(88,937)</u>
	<u>\$ 104,635</u>	<u>\$ 28,687</u>

Depreciation Expense was \$14,336 and \$9,324 for the years ended December 31, 2017 and 2016.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Grants Payable

As of December 31, grants payable are committed as follows:

	<u>2017</u>	<u>2016</u>
Due in one year or less	\$ 1,032,167	\$ 784,662
Due in one to five years	<u>246,943</u>	<u>164,923</u>
	<u>\$ 1,279,110</u>	<u>\$ 949,585</u>

Capital Lease

The Organization entered into a long-term lease for office furniture. The lease payments of \$1,117.05 commenced June 2017 and are payable over 60 months.

The following is an analysis of the lease property under the capital lease.

Office Furniture	\$ 58,195
Less: Accumulated Depreciation	<u>(2,910)</u>
Total Assets Under Capital Lease	<u>\$ 55,285</u>

The following is a schedule of the future minimum lease payments under the capital lease with the present value of the net minimum lease payments as of December 31, 2017.

	2018	\$ 13,405
	2019	13,405
	2020	13,405
	2021	13,405
	2022	<u>4,673</u>
Total Minimum Lease Payments		58,293
Less Amounts Representing Interest		<u>(7,206)</u>
Present Value of Net Minimum Lease Payments		<u>\$ 51,087</u>

Agency Endowment Funds

In accordance with ASC 958-605, funds received by the Foundation that have specified beneficiaries and have granted no variance power to the Foundation are reported as Agency Endowment Funds in the Statement of Financial Position. As of December 31, 2017 the Foundation held Agency Endowments totaling \$20,374,567. The changes in such agency funds are summarized in Note 5 "Transactions in Funds Held for Other Agencies."

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Operating Leases

The Foundation had been leasing office space on a month-to-month basis at a monthly rate of \$2,535 through June 2017. The Foundation entered into a new 10-year lease for office space commencing on June 1, 2017 at a monthly rate of \$3,152. Annual increases are from 3% to 5%.

The Foundation entered into an operating lease for a postage meter requiring quarterly payments of \$165 through January 2022.

The Foundation entered into an auto lease in January 2015 for 39 months at \$477.09 per month.

The Foundation entered into a 60-month lease requiring monthly payments of \$182.14 for a printer through March 2019. In addition, the Foundation entered into a 60-month lease for a second printer requiring monthly payments of \$197.19 through July 2021.

The total lease expense was \$48,210 and \$38,711 for 2017 and 2016.

Future minimum lease payments are as follows:

2018	\$ 45,277
2019	43,314
2020	43,959
2021	44,752
2022	44,929

Temporarily Restricted Net Assets

Temporarily Restricted Net Assets consists of the following:

	<u>2017</u>	<u>2016</u>
Youth Fund	\$ 3,850	\$ 3,550
Restricted for Initiatives	3,499	2,459
Restricted as to Time	120,000	120,000
Charitable Remainder Trusts, net	224,764	169,153
	<u>\$ 352,113</u>	<u>\$ 295,162</u>

NOTE 3 - BENEFICIAL INTEREST IN A PERPETUAL TRUST

The Foundation is the sole income beneficiary to an irrevocable perpetual trust, the assets of which are not in its possession. The Foundation has no legally enforceable rights or claims to such assets. The Foundation receives income distributions based on the fund's income after certain trust expenses.

NOTE 4 - CHARITABLE REMAINDER TRUSTS

The Foundation has elected to report charitable remainder trusts at fair value using level 3 inputs, to reflect the amounts expected to be received. The Foundation is beneficiary of two charitable remainder trusts administered by others outside the Foundation. The present values of the Foundation's portion are calculated using an AFR of 2.6%. They were valued at \$224,764 and \$169,153 at December 31, 2017 and 2016 and are reported as "Beneficial Interest in Remainder Trusts". The change in value of charitable remainder trusts included in the statement of activities was \$55,611 and \$110,641 for 2017 and 2016 respectively.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

NOTE 5 - TRANSACTIONS IN FUNDS HELD FOR OTHER AGENCIES

The financial effects of transactions related to agency endowment funds are recorded as changes in the funds held for agencies liability and are not included in the statement of activities. The changes in that liability are summarized as follows:

	<u>2017</u>	<u>2016</u>
<u>Additions:</u>		
Contributions	\$ 1,439,896	\$ 4,170,712
Realized & Unrealized Gain/Loss	3,023,228	636,847
Interest & Dividends	<u>122,393</u>	<u>112,843</u>
Total Additions	<u>4,585,517</u>	<u>4,920,402</u>
<u>Deductions:</u>		
Grants	968,296	731,594
Fees Paid	<u>249,175</u>	<u>232,835</u>
Total Deductions	<u>1,217,471</u>	<u>964,429</u>
Change in Balance	3,368,046	3,955,973
Balance in Agency Endowment Funds, Beginning of Year	17,273,628	13,317,655
Reclassification to Donor-Advised Fund	<u>(267,107)</u>	<u>-</u>
Balance in Agency Endowment Funds, End of Year	<u>\$ 20,374,567</u>	<u>\$ 17,273,628</u>

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

NOTE 6 - FAIR VALUE INFORMATION

<u>Description</u>	<u>December 31,</u> <u>2017</u>	<u>Quoted Prices</u> <u>in Active</u> <u>Markets for</u> <u>Identical Assets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>	<u>December 31,</u> <u>2016</u>
Cash & Cash Equivalents	\$ 2,902,645	\$ 991,294	\$ 1,911,351	\$ -	\$ 1,885,961
Domestic Stock	135,488	135,488	-	-	125,003
Corporate Bonds	293,753	293,753	-	-	213,121
Corporate Bond Funds	6,029,239	6,029,239	-	-	6,903,279
Governmental Bond Funds	512,648	512,648	-	-	498,131
Government Bonds	2,346	2,346	-	-	2,797
Domestic Mutual Funds	28,650,331	28,650,331	-	-	22,609,817
International Mutual Funds	4,006,174	4,006,174	-	-	3,125,678
International Bond Funds	410,385	410,385	-	-	824,604
Exchange Traded Funds	445,586	445,586	-	-	19,939
Energy and Natural Resource Funds	-	-	-	-	549,422
Commodity Funds	75,489	75,489	-	-	656,367
Hedge Funds	249,007	249,007	-	-	167,359
Interest in Community Foundation for Greater New Haven Managed Pool	59,867,890	-	59,867,890	-	51,610,435
Real Estate Investment Funds	1,069,880	1,069,880	-	-	1,554,128
Alternative Investments	<u>1,655,966</u>	<u>-</u>	<u>-</u>	<u>1,655,966</u>	<u>2,035,250</u>
Total Investments	106,306,827	42,871,620	61,779,241	1,655,966	92,781,291
Beneficial Interest in					
Remainder Trusts	224,764	-	-	224,764	169,153
Perpetual Trust	189,428	189,428	-	-	165,521
 Investments reported on the Balance Sheet as:					
Investments Reported at Fair Value		\$ 106,306,827			
Investments Reported at Cost		<u>120,000</u>			
		<u>\$ 106,426,827</u>			

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Assets measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

The following is a summary of the changes in the balances of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs:

	<u>Investments</u>	<u>Trusts</u>
Balance, beginning of year	\$ 2,035,250	\$ 169,153
Total gains or losses (realized and unrealized) included in the change in net assets	(500,784)	55,611
Sales	94	-
Purchases	121,406	-
Transfers in and/or out of Level 3	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 1,655,966</u>	<u>\$ 224,764</u>

The amount of Gains for the Period included in Changes in Net Assets Attributable to the Change in Unrealized Gains Relating to Assets Held at Year-end

	(500,784)
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The amount reported as Change in Value of Split-Interest Agreements Relating to Assets Held at Year-end

	55,611
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NOTE 7 – ENDOWMENT FUNDS

Endowment Net Asset composition as of December 31, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Board-Designated Endowment Funds	\$ 107,717,645	\$ -	\$ -	\$ 107,717,645
Donor Restricted	-	344,764	-	344,764
Total Funds	<u>\$ 107,717,645</u>	<u>\$ 344,764</u>	<u>\$ -</u>	<u>\$ 108,062,409</u>

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Endowment Assets at 12/31/16	\$ 92,147,227	\$ 289,153	\$ -	\$ 92,436,380
Change in Agency Endowments	3,100,939	-	-	3,100,939
Contributions	3,014,154	-	-	3,014,154
Investment Income	2,706,381	-	-	2,706,381
Net Appreciation	10,488,731	55,611	-	10,544,342
Amounts Appropriated for Expenditure	<u>(3,739,787)</u>	<u>-</u>	<u>-</u>	<u>(3,739,787)</u>
 Endowment Assets at 12/31/17	 <u>\$ 107,717,645</u>	 <u>\$ 344,764</u>	 <u>\$ -</u>	 <u>\$ 108,062,409</u>

NOTE 8– RETIREMENT PLAN

The Foundation has adopted a SIMPLE IRA plan whereby employee contributions are matched up to a maximum of 3% of the employee's annual salary. Total payments made during the year during 2017 and 2016 were \$4,238 and \$4,016.

NOTE 9– RECLASSIFICATION OF AGENCY FUND

During the year, one previously established fund was determined to be a donor advised fund. The beginning fund balance of this fund was reclassified out of the agency fund liability in the statement of financial position.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Schedule of Functional Expenses
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	Direct				Totals	
	Community	Management				
	Support	Programs	& General	Fundraising	2017	2016
Grants	\$ 3,892,476	\$ -	\$ -	\$ -	\$ 3,892,476	\$ 2,849,805
Non-Cash Grants	-	-	-	-	-	30,300
Scholarships	154,250	-	-	-	154,250	118,850
Pass-Through Grants	36,182	-	-	-	36,182	65,236
Less: Agency Fund Grants	(968,296)	-	-	-	(968,296)	(731,594)
Initiative Expenses	-	39,621	-	-	39,621	-
Salaries	-	307,045	160,300	57,600	524,945	500,471
Payroll Taxes and Benefits	-	54,971	28,699	10,312	93,982	76,237
Advertising/Marketing	-	10,558	4,733	2,912	18,203	26,694
Computer Costs	-	15,041	6,743	4,149	25,933	25,853
Website	-	3,243	1,453	894	5,590	6,813
Insurance	-	4,425	1,983	1,220	7,628	7,288
Supplies	-	3,612	1,619	996	6,227	7,953
Telephone	-	2,161	969	596	3,726	3,690
Postage and Shipping	-	2,573	1,153	710	4,436	7,026
Occupancy	-	25,295	11,339	6,978	43,612	34,167
Office Maintenance & Repair	-	1,781	798	491	3,070	2,525
Auto Lease	-	4,140	1,856	1,142	7,138	7,129
Printing and Publications	-	5,217	2,338	1,439	8,994	9,475
Travel	-	651	292	180	1,123	1,628
Depreciation & Amortization	-	8,315	3,727	2,294	14,336	9,324
Dues & Subscriptions	-	6,274	2,813	1,731	10,818	13,053
Professional Fees	-	8,735	3,915	2,409	15,059	14,267
Board Expenses	-	2,052	920	566	3,538	2,499
NonProfit Educational Seminars	-	16,498	-	-	16,498	4,898
Annual Appeal	-	-	-	8,517	8,517	5,036
Discretionary Fund	-	355	-	-	355	300
Copier	-	4,422	1,983	1,220	7,625	5,775
Miscellaneous	-	1,123	503	310	1,936	1,934
Relocation Expenses	-	-	6,485	-	6,485	-
Interest Expense	-	-	1,622	-	1,622	-
Fund Expenses:						
Professional Fees	-	-	-	-	-	12,710
Donations	-	-	-	200	200	-
Advertising	-	-	-	72	72	-
Appeals	-	-	-	413	413	-
Reports and Multimedia	-	-	-	-	-	425
Printing & Postage	-	-	-	3,775	3,775	5,836
Meetings & Events	-	-	-	5,925	5,925	3,938
Total Expenses	\$ 3,114,612	\$ 528,108	\$ 246,243	\$ 117,051	\$ 4,006,014	\$ 3,129,541

See Accountant's Report.