

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Audited Financial Statements

Table of Contents

For the Year Ended December 31, 2018

Independent Auditor's Report	1
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BASIC FINANCIAL STATEMENTS:

Statement of Financial Position	3
Statement of Activities	4
Statements of Cash Flows	5
Statement of Functional Expenses	6
Notes to the Financial Statements	7

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, 2018, and the related statements of activities, cash flows and functional expenses 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, 2018, 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 Summarized Comparative Information

We have previously audited the Northwest Connecticut Community Foundation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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 8, 2019

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Statement of Financial Position
December 31, 2018
(With Comparative Totals for 2017)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2018	2017
ASSETS:				
Cash and Cash Equivalents	\$ 1,098,262	\$ 11,115	\$ 1,109,377	\$ 3,382,235
Contribution Receivable	-	-	-	500
Prepaid Expenses	16,771	-	16,771	19,178
Inventory	8,391	-	8,391	-
Investments	100,108,501	120,000	100,228,501	106,426,827
Security Deposit	3,150	-	3,150	3,995
Beneficial Interest in Remainder Trusts	-	171,909	171,909	224,764
Beneficial Interest in Perpetual Trust	170,736	-	170,736	189,428
Fixed Assets, net	90,530	-	90,530	104,635
Total Assets	\$ 101,496,341	\$ 303,024	\$ 101,799,365	\$ 110,351,562
 LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 820	\$ -	\$ 820	\$ 9,341
Grants Payable	1,432,326	-	1,432,326	1,279,110
Agency Endowment Funds	18,346,321	-	18,346,321	20,374,567
Lease Obligation	37,827	-	37,827	49,466
Total Liabilities	19,817,294	-	19,817,294	21,712,484
 Net Assets:				
Without Donor Restrictions	81,679,047	-	81,679,047	88,286,965
With Donor Restrictions	-	303,024	303,024	352,113
Total Net Assets	81,679,047	303,024	81,982,071	88,639,078
Total Liabilities and Net Assets	\$ 101,496,341	\$ 303,024	\$ 101,799,365	\$ 110,351,562

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

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Statement of Activities

For the Year Ended December 31, 2018

(With Comparative Totals for 2017)

	Without Donor Restrictions	With Donor Restrictions	Totals
	2018	2017	2017
Revenues, Gains and Other Support:			
Fund Contributions	\$ 2,187,855		
Less: Contributions to Agency Funds	<u>(326,463)</u>	\$ -	\$ 3,219,169
CIV of Split-Interest Agreements		(52,855)	55,611
Initiative Contributions	1,000	12,790	15,841
Fundraising Events	4,310		
Less: Direct Donor Benefits	<u>(2,750)</u>	1,560	3,735
Investment Income	(4,803,168)	-	13,195,112
Miscellaneous Income	35	-	1,034
Unfulfilled Grant Awards	5,289	-	1,873
Administrative Fees	159,368	-	142,994
Seminar Income	5,890	-	8,000
Net Assets Released from Restrictions	9,024	(9,024)	-
Total Revenues	<u>(2,759,610)</u>	<u>(49,089)</u>	<u>16,643,369</u>
Expenses:			
Direct Community Support	2,893,100	-	3,114,612
Program Services	591,187	-	528,108
Management and General	285,785	-	246,243
Fundraising	120,459	-	117,051
Total Expenses	<u>3,890,531</u>	<u>3,890,531</u>	<u>4,006,014</u>
Changes in Net Assets Before Other Changes	<u>(6,650,141)</u>	<u>(49,089)</u>	<u>12,637,355</u>
Other Changes in Net Assets:			
Decrease in Contribution Receivable	-	-	(109,765)
Reclassification of Agency Fund	42,223	-	267,107
Loss on Disposal of Fixed Assets	-	-	(199)
Total Other Changes in Net Assets	<u>42,223</u>	<u>42,223</u>	<u>157,143</u>
Changes in Net Assets	<u>(6,607,918)</u>	<u>(49,089)</u>	<u>12,794,498</u>
Net Assets - Beginning of Year	88,286,965	352,113	75,844,580
Net Assets - End of Year	<u>\$ 81,679,047</u>	<u>\$ 303,024</u>	<u>\$ 88,639,078</u>

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

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Statements of Cash Flows
December 31, 2018 and 2017

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (6,657,007)	\$ 12,794,498
Adjustments:		
Realized and Unrealized (Gain)/Loss on Investments	6,930,412	(10,488,731)
Depreciation & Amortization	20,190	14,336
Loss on Disposal of Assets	-	199
Decrease/(Increase) in Assets:		
Contribution Receivable	500	149,500
Prepaid Expenses	2,407	(11,473)
Inventory	(8,391)	-
Security Deposit	845	(2,795)
Beneficial Interest in Remainder Trusts	52,855	(55,611)
Beneficial Interest in Perpetual Trust	18,692	(23,907)
Increase/(Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(8,521)	8,416
Grants Payable	153,216	329,525
	<u>505,198</u>	<u>2,713,957</u>
<i>Net cash flow provided (used) from operating activities</i>	<u>505,198</u>	<u>2,713,957</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Equipment	(6,085)	(90,483)
Purchases of Investments	(7,038,538)	(4,539,894)
Proceeds of Investments	6,306,452	1,503,089
Net Increase (Decrease) in Agency Endowment Funds	(2,028,246)	3,100,939
	<u>(2,766,417)</u>	<u>(26,349)</u>
<i>Net cash flow (used) provided by investing activities</i>	<u>(2,766,417)</u>	<u>(26,349)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds of Capital Lease	-	58,195
Repayment of Capital Lease	(11,639)	(8,729)
	<u>(11,639)</u>	<u>49,466</u>
<i>Net cash flow (used) provided by financing activities</i>	<u>(11,639)</u>	<u>49,466</u>
<i>Net increase/(decrease) in cash flows</i>	(2,272,858)	2,737,074
Cash at Beginning of Year	3,382,235	645,161
Cash at End of Year	\$ 1,109,377	\$ 3,382,235
Supplemental Disclosure:		
Interest Paid	\$ 1,766	\$ 1,622
Income Taxes Paid	\$ -	\$ -

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

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Statement of Functional Expenses
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

	Direct				Totals	
	Community		Management			
	Support	Programs	& General	Fundraising	2018	2017
Grants	\$ 3,954,237	\$ -	\$ -	\$ -	\$ 3,954,237	\$ 3,892,476
Scholarships	157,050	-	-	-	157,050	154,250
Pass-Through Grants	32,184	-	-	-	32,184	36,182
Less: Agency Fund Grants	(1,250,371)	-	-	-	(1,250,371)	(968,296)
Initiative Expenses	-	8,433	-	-	8,433	39,621
Salaries	-	369,656	181,467	59,878	611,001	524,945
Payroll Taxes and Benefits	-	62,236	30,552	10,082	102,870	93,982
Strategic Planning	-	12,350	6,063	2,001	20,414	-
Advertising/Marketing	-	14,819	7,275	2,400	24,494	18,203
Computer Costs	-	18,067	8,869	2,927	29,863	25,933
Website	-	2,776	1,363	450	4,589	5,590
Insurance	-	4,674	2,294	757	7,725	7,628
Supplies	-	4,760	2,337	771	7,868	6,227
Telephone	-	1,970	967	319	3,256	3,726
Postage and Shipping	-	2,813	1,381	456	4,650	4,436
Occupancy	-	29,608	14,535	4,796	48,939	43,612
Office Maintenance & Repair	-	2,592	1,272	420	4,284	3,070
Auto Lease	-	4,469	2,194	724	7,387	7,138
Printing and Publications	-	3,886	1,908	629	6,423	8,994
Travel	-	1,238	608	200	2,046	1,123
Depreciation & Amortization	-	12,215	5,996	1,979	20,190	14,336
Dues & Subscriptions	-	8,339	4,094	1,351	13,784	10,818
Professional Fees	-	9,414	4,621	1,525	15,560	15,059
Board Expenses	-	2,249	1,104	364	3,717	3,538
Non-Profit Educational Seminars	-	8,893	-	-	8,893	16,498
Annual Appeal	-	-	-	18,723	18,723	8,517
Discretionary Fund	-	300	-	-	300	355
Copier	-	4,657	2,286	755	7,698	7,625
Miscellaneous	-	773	380	125	1,278	1,936
Relocation Expenses	-	-	2,453	-	2,453	6,485
Interest Expense	-	-	1,766	-	1,766	1,622
Fund Expenses:						
Donations	-	-	-	-	-	200
Advertising	-	-	-	146	146	72
Appeals	-	-	-	1,676	1,676	413
Printing & Postage	-	-	-	1,568	1,568	3,775
Meetings & Events	-	-	-	5,437	5,437	5,925
Total Expenses	\$ 2,893,100	\$ 591,187	\$ 285,785	\$ 120,459	\$ 3,890,531	\$ 4,006,014

See Accountant's Report.

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, non-profit 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 non-profit 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 new assets without donor restrictions. 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 net assets without donor restrictions, 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. Net assets with donor restrictions represent charitable remainder trusts, amounts receivable in future periods, and restricted grant funds.

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.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments without donor restrictions, and 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 endowment assets with donor restrictions were classified as net assets without donor restrictions 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 net assets with donor restrictions 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, 2018 and 2017.

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 reasonably 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, 2018.

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 revenue and net assets without donor restrictions, unless subject to time or purpose restrictions. When a donor stipulated time or purpose ends, net assets are reclassified to net assets without donor restrictions, and reported in the statement of activities as restrictions satisfied by payment/scholarship. Restricted contributions are reported as increases to net assets without donor restrictions 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 revenue and net assets without donor restrictions, 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 3, 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 6 "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 without restrictions.

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.

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

Recent Accounting Pronouncement

During 2018, the Foundation adopted ASU2016-14 – *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flow. Main provisions of this guidance include: presentation of two classes of net asset versus the previously required three classes, recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service, and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. Certain amounts in the prior year are reclassified to conform to current year presentation, when necessary.

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, 2017, from which the summarized information was derived.

Review for Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through April 8, 2019, which represents the date that these statements were available to be issued.

NOTE 2 – Availability and Liquidity

The Foundation's financial assets due within one year of the statement of financial position date for general expenditure are as follows:

Financial assets available to meet the cash needs for general expenditures within one year:

Cash & Cash Equivalents	\$ 1,109,377
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The Foundation's endowment fund consists of a board designated endowment. The board designated endowment has a targeted spending rate of 5.0% as discussed in Note 1.

As part of its liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. Additionally, the Foundation has a quasi-endowment of \$99,138,820. Although the Foundation does not intend to spend from its investments other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

Appropriations of \$987,419 from the Board designated endowment will be available quarterly over the next 12 months and an additional \$100,000 is anticipated from the annual appeal.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

NOTE – 3 DETAIL NOTES ON ASSETS, LIABILITIES, AND NET ASSETS

Cash and Cash Equivalents

At December 31, 2018, the carrying amounts of the Foundation's deposits were \$1,109,377 and the bank balance was \$1,206,993, of which the FDIC insured \$305,295. The remaining \$901,698 was uninsured.

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 7. 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>2018</u>	<u>2017</u>
Dividends and Interest	\$ 2,577,565	\$ 3,093,697
Net Realized and Unrealized Gain/(Loss) on Investments	(6,930,412)	10,488,731
Investment Management Fees	<u>(450,321)</u>	<u>(387,316)</u>
	<u>\$ (4,803,168)</u>	<u>\$ 13,195,112</u>

Fixed Assets

Fixed Assets consist of the following:

	<u>2018</u>	<u>2017</u>
Furniture and Fixtures	\$ 103,487	\$ 103,487
Leasehold Improvements	21,118	15,033
Computer Equipment and Software	55,439	55,439
Rebranding	20,255	20,255
Website	<u>13,483</u>	<u>13,483</u>
	213,782	207,697
Accumulated Depreciation	<u>(123,252)</u>	<u>(103,062)</u>
	<u>\$ 90,530</u>	<u>\$ 104,635</u>

Depreciation Expense was \$20,190 and \$14,336 for the years ended December 31, 2018 and 2017.

Grants Payable

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

	<u>2018</u>	<u>2017</u>
Due in one year or less	\$ 1,414,326	\$ 1,032,167
Due in one to five years	<u>18,000</u>	<u>246,943</u>
	<u>\$ 1,432,326</u>	<u>\$ 1,279,110</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>(8,729)</u>
Total Assets Under Capital Lease	<u>\$ 49,466</u>

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

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, 2018.

	2019	\$ 13,405
	2020	13,405
	2021	13,405
	2022	<u>6,440</u>
Total Minimum Lease Payments		46,655
Less Amounts Representing Interest		<u>(5,441)</u>
Present Value of Net Minimum Lease Payments		<u>\$ 41,214</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, 2018, the Foundation held Agency Endowments totaling \$18,346,321. The changes in such agency funds are summarized in Note 6 "Transactions in Funds Held for Other Agencies."

Operating Leases

The Foundation entered into a 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 office space is in a building which is owned by an entity in which the Foundation President is a member.

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 \$44,470 and \$48,210 for 2018 and 2017. Future minimum lease payments are as follows:

2019	\$ 42,544
2020	43,197
2021	43,918
2022	44,158
2023	45,483

Net Assets with Donor Restrictions

Net Assets with Donor Restrictions consist of the following:

	<u>2018</u>	<u>2017</u>
Youth Fund	\$ 3,407	\$ 3,850
Restricted for Initiatives	7,708	3,499
Restricted as to Time	120,000	120,000
Charitable Remainder Trusts, net	171,909	224,764
	<u>\$ 303,024</u>	<u>\$ 352,113</u>

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Net Assets Without Donor Restrictions- Board Designations

During 2018, the Board voted to set aside \$10,000 for the production of a documentary featuring the benefits of volunteering and raise awareness of volunteer emergency services and to set aside \$31,650 of the 2018 grant making surplus for grant making in 2019.

NOTE 4 - 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 5 - 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 3.6%. They were valued at \$171,909 and \$224,764 at December 31, 2018 and 2017 and are reported as "Beneficial Interest in Remainder Trusts". The change in value of charitable remainder trusts included in the statement of activities was \$52,855 and \$55,611 for 2018 and 2017 respectively.

NOTE 6 - 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:

	2018	2017
<u>Additions:</u>		
Contributions	440,358	1,439,896
Realized & Unrealized Gain/Loss	(986,454)	3,023,228
Interest & Dividends	99,966	122,393
Total Additions	(446,130)	4,585,517
<u>Deductions:</u>		
Grants	1,250,371	968,296
Fees Paid	289,522	249,175
Total Deductions	1,539,893	1,217,471
Change in Balance	(1,986,023)	3,368,046
Balance in Agency Endowment Funds, Beginning of Year	20,374,567	17,273,628
Matching Grant Transfer In	14,870	-
Reclassification to Scholarship Fund	(57,093)	(267,107)
Balance in Agency Endowment Funds, End of Year	18,346,321	20,374,567

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

NOTE 7 - FAIR VALUE INFORMATION

<u>Description</u>	<u>December 31,</u> <u>2018</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>2017</u>
Cash & Cash Equivalents	\$ 4,665,888	\$ 2,407,605	\$ 2,258,283	\$ -	\$ 2,902,645
Domestic Stock	236,765	236,765	-	-	135,488
Corporate Bonds	216,413	216,413	-	-	2,293,753
Corporate Bond Funds	6,188,025	6,188,025	-	-	6,029,239
Governmental Bond Funds	1,981	1,981	-	-	512,648
Government Bonds	-	-	-	-	2,346
Domestic Mutual Funds	28,074,457	28,074,457	-	-	28,650,331
International Mutual Funds	502,884	502,884	-	-	4,006,174
International Bond Funds	39,116	39,116	-	-	410,385
Exchange Traded Funds	347,299	347,299	-	-	445,586
Commodity Funds	66,015	66,015	-	-	75,489
Hedge Funds	159,394	159,394	-	-	249,007
Interest in Community Foundation for Greater New Haven Managed Pool	57,674,375	-	57,674,375	-	59,867,890
Real Estate Investment Funds	334,203	334,203	-	-	1,069,880
Private Equity Funds	<u>1,601,686</u>	<u>-</u>	<u>-</u>	<u>1,601,686</u>	<u>1,655,966</u>
Total Investments	<u>\$ 100,108,501</u>	<u>\$ 38,574,157</u>	<u>\$ 59,932,658</u>	<u>\$ 1,601,686</u>	<u>\$ 108,306,827</u>
 Beneficial Interest In					
Remainder Trusts	171,909	-	-	171,909	224,764
Perpetual Trust	170,736	170,736	-	-	189,428
 Investments Reported at Fair Value	 \$ 100,108,501				
Investments Reported at Cost	<u>120,000</u>				
 Investments Reported on the Balance Sheet as:	 <u>\$ 100,228,501</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	\$ 1,655,966	\$ 224,764
Total gains or losses (realized and unrealized) included in the change in net assets	(135,280)	(52,855)
Sales	(23,198)	-
Purchases	104,198	-
Transfers in and/or out of Level 3	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 1,601,686</u>	<u>\$ 171,909</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	(135,280)
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The Amount Reported as Change in Value of Split-Interest Agreements Relating to Assets Held at Year-End	(52,855)
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NOTE 8 – ENDOWMENT FUNDS

Endowment Net Asset composition as of December 31, 2018 is as follows:

	<u>Without donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Assets</u>
Board-Designated Endowment Funds	\$ 98,846,911	\$ -	\$ 98,846,911
Donor Restricted	<u>-</u>	<u>291,909</u>	<u>291,909</u>
Total Funds	<u>\$ 98,846,911</u>	<u>\$ 291,909</u>	<u>\$ 99,138,820</u>

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

	<u>Without Donor</u>	<u>With donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Endowment</u>
			<u>Assets</u>
Endowment Assets at 12/31/17	\$ 107,717,645	\$ 344,764	\$ 108,062,409
Change in Agency Endowments	(2,028,246)	-	(2,028,246)
Contributions	1,633,817	-	1,633,817
Investment Income	2,127,244	-	2,127,244
Net Appreciation (Depreciation)	(6,930,412)	(52,855)	(6,983,267)
Amounts Appropriated for Expenditure	<u>(3,673,137)</u>	<u>-</u>	<u>(3,673,137)</u>
Endowment Assets at 12/31/18	<u>\$ 98,846,911</u>	<u>\$ 291,909</u>	<u>\$ 99,138,820</u>

NOTE 9 – FUNCTIONAL EXPENSE ALLOCATION METHOD

The financial statements identify classifications of expenses that are allocated according to the function, program or operational obligation to which they apply. All expenses are allocated on an analytical and consistent basis. Costs related to occupancy, depreciation, fixtures, and equipment, are allocated on a square footage basis and those associated with programs, services, salaries, benefits, and functions are allocated according to time and effort.

Other expenses, including Grants, Initiatives, Discretionary Fund, and Non-Profit Educational Seminars are allocated 100% to program. Expenses pertaining to the Annual Appeal are allocated 100% to fundraising. Relocation and Interest on the Furniture Lease are allocated to Management and General.

NOTE 10– 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 2018 and 2017 were \$8,193 and \$4,238.

NOTE 11– RECLASSIFICATION OF AGENCY FUND

During the year, two previously established funds were transferred to a new scholarship fund. The balance of these funds was reclassified out of the agency fund liability in the statement of financial position. Another Fund met the criteria for a matching grant and funds were transferred into the Agency Endowment.