

---

**NORTHWEST CONNECTICUT COMMUNITY  
FOUNDATION**

---

Annual Audited Financial Statements

For the Year Ended December 31, 2021

**NORTHWEST CONNECTICUT COMMUNITY FOUNDATION**

Audited Financial Statements

Table of Contents

For the Year Ended December 31, 2021

---

<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>1</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
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, 2021, and the related statements of activities, cash flows and functional expenses for the year 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 the Northwest Connecticut Community Foundation, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Northwest Connecticut Community Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management 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, 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 the Northwest Connecticut Community Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 related 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 the Northwest Connecticut Community Foundation'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Northwest Connecticut Community Foundation'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.

***Report on Summarized Comparative Information***

We have previously audited the Northwest Connecticut Community Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 23, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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  
May 26, 2022

# NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Statement of Financial Position  
December 31, 2021  
(With Comparative Totals for 2020)

<b>ASSETS:</b>	Without Donor	With Donor	Totals	
	Restrictions	Restrictions	2021	2020
Cash and Cash Equivalents	\$ 3,226,163	\$ 10,298	\$ 3,236,461	\$ 2,379,901
Prepaid Expenses	18,669	-	18,669	58,664
Contributions Receivable	230,758	-	230,758	784,000
Investments	137,560,148	120,000	137,680,148	124,868,842
Security Deposit	3,150	-	3,150	3,150
Beneficial Interest in Remainder Trusts	-	1,891,574	1,891,574	317,394
Beneficial Interest in Perpetual Trust	275,925	-	275,925	232,255
Fixed Assets, net	121,150	-	121,150	68,245
<b>Total Assets</b>	<b><u>\$ 141,435,963</u></b>	<b><u>\$ 2,021,872</u></b>	<b><u>\$ 143,457,835</u></b>	<b><u>\$ 128,712,451</u></b>
 <b>LIABILITIES AND NET ASSETS:</b>				
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 9,132	\$ -	\$ 9,132	\$ 7,736
Grants Payable	3,235,445	-	3,235,445	2,672,287
Agency Endowment Funds	24,000,680	-	24,000,680	21,924,503
Charitable Remainder Gift Annuity Liability	-	697,237	697,237	-
Lease Obligation	1,940	-	1,940	13,579
Total Liabilities	<u>27,247,197</u>	<u>697,237</u>	<u>27,944,434</u>	<u>24,618,105</u>
Net Assets:				
Without Donor Restrictions	114,188,766	-	114,188,766	103,639,865
With Donor Restrictions	-	1,324,635	1,324,635	454,481
Total Net Assets	<u>114,188,766</u>	<u>1,324,635</u>	<u>115,513,401</u>	<u>104,094,346</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 141,435,963</u></b>	<b><u>\$ 2,021,872</u></b>	<b><u>\$ 143,457,835</u></b>	<b><u>\$ 128,712,451</u></b>

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

## NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Statement of Activities  
For the Year Ended December 31, 2021  
(With Comparative Totals for 2020)

		Without Donor Restrictions	With Donor Restrictions	Totals	
				2021	2020
<b>Revenues, Gains and Other Support:</b>					
Fund Contributions	\$ 6,164,619				
Less: Contributions to Agency Funds	<u>(1,265,230)</u>	\$ 4,609,438	\$ 289,951	\$ 4,899,389	\$ 4,010,532
CIV of Split-Interest Agreements		-	599,477	599,477	80,357
Initiative Contributions		22,750	-	22,750	30,871
Fundraising Events	790				
Less: Direct Donor Benefits	<u>-</u>	790	-	790	546
Investment Return		11,496,008	-	11,496,008	12,458,473
Miscellaneous Income		-	-	-	11
Unfulfilled Grant Awards		-	-	-	5,573
Administrative Fees		171,618	-	171,618	168,527
PPP Funding		-	-	-	144,739
Net Assets Released from Restrictions		<u>19,274</u>	<u>(19,274)</u>	<u>-</u>	<u>-</u>
<i>Total Revenues</i>		<u>16,319,878</u>	<u>870,154</u>	<u>17,190,032</u>	<u>16,899,629</u>
<b>Expenses:</b>					
Direct Community Support		4,459,044	-	4,459,044	3,782,500
Program Services		815,986	-	815,986	727,516
Management and General		365,002	-	365,002	330,943
Fundraising		<u>130,945</u>	<u>-</u>	<u>130,945</u>	<u>117,553</u>
<i>Total Expenses</i>		<u>5,770,977</u>	<u>-</u>	<u>5,770,977</u>	<u>4,958,512</u>
<i>Changes in Net Assets Before Other Changes</i>		<u>10,548,901</u>	<u>870,154</u>	<u>11,419,055</u>	<u>11,941,117</u>
<b>Other Changes in Net Assets:</b>					
Loss on Disposal of Fixed Assets		<u>-</u>	<u>-</u>	<u>-</u>	<u>(82)</u>
<i>Total Other Changes in Net Assets</i>		<u>-</u>	<u>-</u>	<u>-</u>	<u>(82)</u>
<b>Changes in Net Assets</b>		<u>10,548,901</u>	<u>870,154</u>	<u>11,419,055</u>	<u>11,941,035</u>
Net Assets - Beginning of Year		<u>103,639,865</u>	<u>454,481</u>	<u>104,094,346</u>	<u>92,153,311</u>
<b>Net Assets - End of Year</b>		<u><b>\$ 114,188,766</b></u>	<u><b>\$ 1,324,635</b></u>	<u><b>\$ 115,513,401</b></u>	<u><b>\$ 104,094,346</b></u>

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

# NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Statements of Cash Flows  
December 31, 2021 and 2020

	2021	2020
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 11,419,055	\$ 11,941,035
Adjustments:		
Loss on Disposal of Fixed Assets	-	82
Realized and Unrealized (Gain)/Loss on Investments	(9,027,648)	(11,315,861)
Depreciation & Amortization	14,420	12,409
Decrease/(Increase) in Assets:		
Prepaid Expenses	39,995	(35,208)
Contribution Receivable	553,242	(784,000)
Inventory	-	8,391
Beneficial Interest in Remainder Trusts	(1,574,180)	(80,357)
Beneficial Interest in Perpetual Trust	(43,670)	(23,823)
Increase/(Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	1,396	1,790
Grants Payable	563,158	(337,523)
Charitable Remainder Gift Annuity Liability	697,237	-
	<u>2,643,005</u>	<u>(613,065)</u>
<i>Net cash flow provided (used) from operating activities</i>	<u>2,643,005</u>	<u>(613,065)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Equipment	(67,325)	(5,290)
Purchases of Investments	(9,221,239)	(4,978,025)
Proceeds of Investments	5,437,581	4,281,126
Net Increase (Decrease) in Agency Endowment Funds	2,076,177	2,635,202
	<u>(1,774,806)</u>	<u>1,933,013</u>
<i>Net cash flow (used) provided by investing activities</i>	<u>(1,774,806)</u>	<u>1,933,013</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Repayment of Capital Lease	(11,639)	(11,639)
	<u>(11,639)</u>	<u>(11,639)</u>
<i>Net cash flow (used) provided by financing activities</i>	<u>(11,639)</u>	<u>(11,639)</u>
<i>Net increase/(decrease) in cash flows</i>	856,560	1,308,309
Cash at Beginning of Year	2,379,901	1,071,592
<b>Cash at End of Year</b>	<b>\$ 3,236,461</b>	<b>\$ 2,379,901</b>
<b>Supplemental Disclosure:</b>		
Interest Paid	\$ 1,833	\$ 1,766
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, 2021  
(With Comparative Totals for 2020)

	Direct		Management		Totals	
	Community Support	Programs	& General	Fundraising	2021	2020
Grants	\$ 4,761,821	\$ -	\$ -	\$ -	\$ 4,761,821	\$ 4,307,053
Scholarships	230,525	-	-	-	230,525	175,675
Pass-Through Grants	105,445	-	-	-	105,445	89,584
Less: Agency Fund Grants	(638,747)	-	-	-	(638,747)	(789,812)
Initiative Expenses	-	44,252	-	-	44,252	50,168
Salaries	-	501,398	236,048	76,511	813,957	693,821
Payroll Taxes and Benefits	-	108,220	50,948	16,514	175,682	153,085
Advertising/Marketing	-	23,876	11,240	3,643	38,759	31,754
Computer Costs	-	28,592	13,461	4,363	46,416	55,347
Website	-	3,905	1,839	596	6,340	7,918
Insurance	-	5,924	2,789	904	9,617	9,283
Supplies	-	1,762	830	269	2,861	4,518
Telephone	-	5,042	2,374	769	8,185	7,894
Postage and Shipping	-	1,709	804	261	2,774	3,031
Occupancy	-	32,216	15,167	4,916	52,299	49,792
Office Maintenance & Repair	-	3,737	1,759	570	6,066	2,182
Auto Lease	-	4,268	2,009	651	6,928	7,654
Printing and Publications	-	5,125	2,413	782	8,320	-
Travel	-	-	-	-	-	150
Depreciation & Amortization	-	8,883	4,182	1,355	14,420	12,409
Dues & Subscriptions	-	9,724	4,578	1,484	15,786	19,324
Professional Fees	-	18,874	8,885	2,880	30,639	20,800
Board Expenses	-	2,265	1,066	346	3,677	1,834
Non-Profit Educational Seminars	-	399	-	-	399	7,950
Annual Appeal	-	-	-	8,951	8,951	5,546
Discretionary Fund	-	75	-	-	75	225
Conferences	-	-	75	-	75	1,851
Copier	-	4,116	1,938	628	6,682	6,817
Miscellaneous	-	1,624	764	248	2,636	3,475
Interest Expense	-	-	1,833	-	1,833	1,766
Fund Expenses:						
Community Education	-	-	-	-	-	14,522
Appeals	-	-	-	-	-	2,238
Printing & Postage	-	-	-	2,940	2,940	643
Design	-	-	-	275	275	-
Other	-	-	-	1,089	1,089	15
<b>Total Expenses</b>	<b>\$ 4,459,044</b>	<b>\$ 815,986</b>	<b>\$ 365,002</b>	<b>\$ 130,945</b>	<b>\$ 5,770,977</b>	<b>\$ 4,958,512</b>

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. Investor information was evaluated for potential impairments as of year-end. No adjustment has been made to the carrying value.

**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, 2021.

**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.

Global Equity Composite	35% - 75%
Fixed Income Composite	12% - 40%
Private Assets	0% - 15%
Hedge Funds	0% - 35%
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

---

**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, 2020, from which the summarized information was derived.

**Review for Subsequent Events**

In preparing these financial statements, management has evaluated subsequent events through May 26, 2022, 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	\$ 3,236,461
less Amounts with Restrictions	<u>10,298</u>
Cash Available for current expenditures	<u>\$ 3,226,163</u>

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 \$136,827,958. 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 \$1,125,000 from the Board designated endowment will be available quarterly over the next 12 months and an additional \$125,000 is anticipated from the annual appeal.

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

**Cash and Cash Equivalents**

At December 31, 2021, the carrying amounts of the Foundation's deposits were \$3,236,461 and the bank balance was \$3,413,258, of which the FDIC insured \$1,296,497. The remaining \$2,116,761 was uninsured.

**Contribution Receivable**

The Foundation was named beneficiary of an estate and is expected to receive an additional \$218,574 during the next year. In addition, the Foundation is due to receive \$12,184 as beneficiary from a Charitable Remainder Trust.

**NORTHWEST CONNECTICUT COMMUNITY FOUNDATION**  
Notes to the Financial Statements

---

**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 on all investment pools consists of the following:

	<u>2021</u>	<u>2020</u>
Dividends and Interest	\$ 3,222,726	\$ 1,813,620
Net Realized and Unrealized Gain/(Loss) on Investments	9,027,648	11,315,861
Investment Management Fees	<u>(754,366)</u>	<u>(671,008)</u>
	<u>\$ 11,496,008</u>	<u>\$ 12,458,473</u>

**Fixed Assets**

Fixed Assets consist of the following:

	<u>2021</u>	<u>2020</u>
Furniture and Fixtures	\$ 109,917	\$ 103,991
Leasehold Improvements	50,168	21,118
Computer Equipment and Software	86,745	60,729
Rebranding	20,256	20,256
Website	<u>19,815</u>	<u>13,483</u>
	286,901	219,577
Accumulated Depreciation	<u>(165,751)</u>	<u>(151,332)</u>
	<u>\$ 121,150</u>	<u>\$ 68,245</u>

Depreciation Expense was \$14,420 and \$12,409 for the years ended December 31, 2021 and 2020.

**Grants Payable**

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

	<u>2021</u>	<u>2020</u>
Due in one year or less	\$ 2,589,857	\$ 2,661,287
Due in one to five years	<u>645,588</u>	<u>11,000</u>
	<u>\$ 3,235,445</u>	<u>\$ 2,672,287</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 last payment was made in February 2022. The following is an analysis of the lease property under the capital lease.

Office Furniture	\$ 58,195
Less: Accumulated Depreciation	<u>(26,188)</u>
Total Assets Under Capital Lease	<u>\$ 32,007</u>

**NORTHWEST CONNECTICUT COMMUNITY FOUNDATION**  
Notes to the Financial Statements

---

**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, 2021, the Foundation held Agency Endowments totaling \$24,000,680. 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 with annual increases are from 3% to 5%. The monthly rate was \$3,444 through May 2021 and increased to \$3,617 for the remainder of the year. 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 for a second printer requiring monthly payments of \$197.19 through July 2021.

The total lease expense was \$43,918 and \$43,197 for 2021 and 2020. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 44,158
2023	45,483
2024	46,848
2025	48,253
2026	50,271

**Net Assets with Donor Restrictions**

Net Assets with Donor Restrictions consist of the following:

	<u>2021</u>	<u>2020</u>
Youth Fund	\$ 4,357	\$ 4,057
Restricted for Initiatives	5,941	13,030
Restricted as to Time	120,000	120,000
Charitable Remainder Trusts, net	1,194,337	317,394
	<u>\$ 1,324,635</u>	<u>\$ 454,481</u>

**Net Assets Without Donor Restrictions - Board Designations**

During 2020, the Board voted to support the Early Childhood Initiative. As of December 31, 2021, there was \$146,355 remaining. In addition, the Board set aside \$332,100 to support 2022 grant making.



**NORTHWEST CONNECTICUT COMMUNITY FOUNDATION**  
Notes to the Financial Statements

---

**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. One Trust is administered outside the Foundation, and the Foundation will receive the remaining assets at the death of the beneficiary. During 2021, the Foundation was notified that they are named trustee of a Unitrust, which requires 5% of the net fair market value of the trust assets to be paid to a beneficiary quarterly based on the value as of the first day of each taxable year. A liability valued at \$697,237 is reported for the present value of the future payments to be made to the beneficiary. A \$289,951 contribution calculated at fair value is recognized as contribution revenue in the Statement of Activities. The present values of the Foundation's portion are calculated using an AFR of 1.6%. The CRTs are valued at \$1,891,574 and \$317,394 at December 31, 2021 and 2020 and are reported as "Beneficial Interest in Remainder Trusts".

Another Charitable Remainder Trust was terminated during the year and \$12,184 was received subsequent to year end, as disclosed in Note 3. The total change in value of charitable remainder trusts included in the statement of activities was \$599,477 and \$80,357 for 2021 and 2020, 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:

	2021	2020
<u>Additions:</u>		
Contributions	\$ 1,265,230	\$ 496,341
Realized & Unrealized Gain/Loss	1,775,824	3,248,235
Interest & Dividends	62,581	33,656
Total Additions	3,103,635	3,778,232
<u>Deductions:</u>		
Grants	638,747	789,812
Fees Paid	388,711	374,201
Total Deductions	1,027,458	1,164,013
Change in Balance	2,076,177	2,614,219
Balance in Agency Endowment Funds, Beginning of Year	21,924,503	19,289,301
Matching Grant Transfer In	-	20,000
Reclassification to Non Agency Funds	-	983
Balance in Agency Endowment Funds, End of Year	\$ 24,000,680	\$ 21,924,503

**NORTHWEST CONNECTICUT COMMUNITY FOUNDATION**  
Notes to the Financial Statements

**NOTE 7 - FAIR VALUE INFORMATION**

<u>Description</u>	<u>December 31,</u> <u>2021</u>	<u>in Active</u> <u>Markets for</u> <u>Identical Assets</u> <u>(Level 1)</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>2020</u>
Cash & Cash Equivalents	\$ 2,318,542	\$ 2,249,898	\$ 68,644	\$ -	\$ 2,574,983
Domestic Stock	332,040	332,040	-	-	351,057
Corporate Bonds	97,050	97,050	-	-	71,608
Foreign Stock	12,436	12,436	-	-	7,836
Corporate Bond Funds	141,436	141,436	-	-	7,662,244
Governmental Bond Funds	789	789	-	-	203,431
Domestic Mutual Funds	39,835,934	39,835,934	-	-	35,481,518
Fixed Income Mutual Funds	7,705,045	7,705,045	-	-	-
International Mutual Funds	770,636	770,636	-	-	795,098
International Bond Funds	4,356	4,356	-	-	5,379
Exchange Traded Funds	2,697,383	2,697,383	-	-	1,650,433
Commodity Funds	69,293	69,293	-	-	68,872
Hedge Funds	164,688	164,688	-	-	167,277
Interest in Community Foundation for Greater New Haven Managed Pool	82,319,735	-	82,319,735	-	74,517,483
Real Estate Investment Funds	424,444	424,444	-	-	222,731
Private Equity Funds	<u>666,341</u>	<u>-</u>	<u>-</u>	<u>666,341</u>	<u>968,892</u>
<b>Total Investments</b>	<b><u>\$ 137,560,148</u></b>	<b><u>\$ 54,505,428</u></b>	<b><u>\$ 82,388,379</u></b>	<b><u>\$ 666,341</u></b>	<b><u>\$ 124,748,842</u></b>
 Beneficial Interest In					
Remainder Trusts	317,394	-	-	317,394	317,394
Perpetual Trust	232,255	232,255	-	-	232,255
 Investments Reported at Fair Value	 \$ 137,560,148				
Investments Reported at Cost	 <u>120,000</u>				
 Investments Reported on the Balance Sheet as:	 <u>\$ 137,680,148</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	\$ 968,892	\$ 317,394
Total gains or losses (realized and unrealized) included in the change in net assets	(302,550)	599,477
Sales	(1,188,212)	-
Purchases	1,188,212	986,887
Transfers in and/or out of Level 3	<u>-</u>	<u>(12,184)</u>
Balance, end of year	<u>\$ 666,342</u>	<u>\$ 1,891,574</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	(302,550)
---	-----------

The Amount Reported as Change in Value of Split-Interest Agreements Relating to Assets Held at Year-End	599,477
---	---------

**NOTE 8 – ENDOWMENT FUNDS**

Endowment Net Asset composition as of December 31, 2021 is as follows:

	<u>Without donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Assets</u>
Board-Designated Endowment Funds	\$ 135,633,621	\$ -	\$ 135,633,621
Donor Restricted	<u>-</u>	<u>1,194,337</u>	<u>1,194,337</u>
Total Funds	<u>\$ 135,633,621</u>	<u>\$ 1,194,337</u>	<u>\$ 136,827,958</u>

**NORTHWEST CONNECTICUT COMMUNITY FOUNDATION**  
Notes to the Financial Statements

---

Changes in Endowment Assets as of December 31, 2021 are as follows:

	<b>Without Donor Restrictions</b>	<b>With donor Restrictions</b>	<b>Total Endowment Assets</b>
Endowment Assets at 12/31/20	\$ 123,092,810	\$ 437,394	\$ 123,530,204
Change in Agency Endowments	2,076,177	-	2,076,177
Contributions	4,609,739	289,650	4,899,389
Investment Return	11,496,008	587,293	12,083,301
Amounts Appropriated for Expenditure	<u>(5,761,113)</u>	<u>-</u>	<u>(5,761,113)</u>
 Endowment Assets at 12/31/21	 <u>\$ 135,513,621</u>	 <u>\$ 1,314,337</u>	 <u>\$ 136,827,958</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. Expenses, except for those noted below 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. Conferences and Interest on the Furniture Lease are allocated to Management and General.

**NOTE 10– RETIREMENT PLAN**

The Foundation adopted a 401K plan whereby employee contributions were matched up to 3%. Total payments made during the year during 2021 and 2020 were \$36,345 and \$29,049.

**NOTE 11– NEW ACCOUNTING PRONCEMENTS NOT YET EFFECTIVE**

The Financial Accounting Standards Board has issued Accounting Standards Update 2016-02, Leases. This update requires entities to recognize all leased assets as assets on the financial statements sheet with corresponding liabilities quantifying future required payments under lease arrangements. The update is effective for nonpublic entities for the period beginning after December 15, 2021. The Foundation has not yet evaluated the impact of this statement; however, it will impact the reporting of the lease for office space.