

**Fairfield County's
Community Foundation, Inc.**

Financial Statements

June 30, 2016 and 2015

Independent Auditors' Report

The Board of Directors Fairfield County's Community Foundation, Inc.

We have audited the accompanying financial statements of Fairfield County's Community Foundation, Inc. (the "Community Foundation"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from 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 auditors' 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 Fairfield County's Community Foundation, Inc. as of June 30, 2016 and 2015 and the changes in its net assets and its cash flows for the years 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 supplementary Schedule of Functional Expenses 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.

PKF O'Connor Davies, LLP

Stamford, Connecticut
September 27, 2016

Fairfield County's Community Foundation, Inc.

Statements of Financial Position

	June 30,	
	2016	2015
ASSETS		
Cash and cash equivalents	\$ 383,747	\$ 241,121
Contributions and other receivables	63,887	2,221,137
Investments	174,839,054	186,587,978
Split-interest agreements	32,162	34,424
Other assets	175,917	166,413
	\$ 175,494,767	\$ 189,251,073
 LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 1,252,545	\$ 1,901,777
Accounts payable and other liabilities	333,641	170,594
Liability under split-interest agreements	3,286	5,931
Deferred rent payable	74,943	98,789
Agency funds	8,301,282	9,274,758
Total Liabilities	9,965,697	11,451,849
 Net Assets		
Unrestricted		
Undesignated	457,540	1,786,786
Board designated	3,257,908	3,257,034
Total Unrestricted Net Assets	3,715,448	5,043,820
 Temporarily restricted		
Donor advised funds	68,797,858	72,760,263
Discretionary and field of interest funds	58,929,693	62,733,178
Designated funds	15,111,930	16,702,470
Scholarships funds	18,945,265	20,531,000
Split-interest agreements	28,876	28,493
Total Temporarily Restricted Net Assets	161,813,622	172,755,404
Total Net Assets	165,529,070	177,799,224
	\$ 175,494,767	\$ 189,251,073

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Statement of Activities

Year Ended June 30, 2016
(with summarized totals for the year ended June 30, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
REVENUES				
Contributions	\$ 2,103,202	\$ 12,353,092	\$ 14,456,294	\$ 19,963,451
Investment return, net of expenses	(200,021)	(9,345,480)	(9,545,501)	4,812,769
Change in value of split-interest agreements	-	560	560	(25,959)
Other income	31,456	230,842	262,298	239,247
Net assets released from restrictions	<u>14,180,796</u>	<u>(14,180,796)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>16,115,433</u>	<u>(10,941,782)</u>	<u>5,173,651</u>	<u>24,989,508</u>
EXPENSES				
Program				
Grants				
Donor advised	7,878,539	-	7,878,539	8,702,746
Designated	359,613	-	359,613	419,971
Scholarships	1,178,303	-	1,178,303	632,020
Discretionary and Field of Interest				
Arts	317,045	-	317,045	184,000
Capacity building	46,914	-	46,914	185,882
Economic opportunity	967,741	-	967,741	582,980
Education	1,200,356	-	1,200,356	1,331,899
Environment	158,500	-	158,500	77,355
Health & human services	349,118	-	349,118	330,999
Women and girls	<u>488,000</u>	<u>-</u>	<u>488,000</u>	<u>663,315</u>
Total Discretionary and Field of Interest Grants	<u>3,527,674</u>	<u>-</u>	<u>3,527,674</u>	<u>3,356,430</u>
Total Grants	12,944,129	-	12,944,129	13,111,167
Grants services and community initiatives	1,857,078	-	1,857,078	1,799,992
Philanthropic advisory services	<u>702,594</u>	<u>-</u>	<u>702,594</u>	<u>749,580</u>
Total Program Expenses	<u>15,503,801</u>	<u>-</u>	<u>15,503,801</u>	<u>15,660,739</u>
Supporting Services				
Management and administration	1,092,269	-	1,092,269	1,020,888
Fundraising	<u>847,735</u>	<u>-</u>	<u>847,735</u>	<u>777,476</u>
Total Supporting Services	<u>1,940,004</u>	<u>-</u>	<u>1,940,004</u>	<u>1,798,364</u>
Total Expenses	<u>17,443,805</u>	<u>-</u>	<u>17,443,805</u>	<u>17,459,103</u>
Change in Net Assets	(1,328,372)	(10,941,782)	(12,270,154)	7,530,405
NET ASSETS				
Beginning of year	<u>5,043,820</u>	<u>172,755,404</u>	<u>177,799,224</u>	<u>170,268,819</u>
End of year	<u>\$ 3,715,448</u>	<u>\$ 161,813,622</u>	<u>\$ 165,529,070</u>	<u>\$ 177,799,224</u>

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Statement of Activities

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions	\$ 3,921,733	\$ 16,041,718	\$ 19,963,451
Investment return, net of expenses	46,241	4,766,528	4,812,769
Change in value of split-interest agreements	-	(25,959)	(25,959)
Other income	239,247	-	239,247
Net assets released from restrictions	13,295,994	(13,295,994)	-
Total Revenues	17,503,215	7,486,293	24,989,508
EXPENSES			
Program			
Grants			
Donor advised	8,702,746	-	8,702,746
Designated	419,971	-	419,971
Scholarships	632,020	-	632,020
Discretionary and Field of Interest			
Arts	184,000	-	184,000
Capacity building	185,882	-	185,882
Economic opportunity	582,980	-	582,980
Education	1,331,899	-	1,331,899
Environment	77,355	-	77,355
Health & human services	330,999	-	330,999
Women and girls	663,315	-	663,315
Total Discretionary and Field of Interest Grants	3,356,430	-	3,356,430
Total Grants	13,111,167	-	13,111,167
Grants services and community initiatives	1,799,992	-	1,799,992
Philanthropic advisory services	749,580	-	749,580
Total Program Expenses	15,660,739	-	15,660,739
Supporting Services			
Management and administration	1,020,888	-	1,020,888
Fundraising	777,476	-	777,476
Total Supporting Services	1,798,364	-	1,798,364
Total Expenses	17,459,103	-	17,459,103
Change in Net Assets	44,112	7,486,293	7,530,405
NET ASSETS			
Beginning of year	4,999,708	165,269,111	170,268,819
End of year	\$ 5,043,820	\$ 172,755,404	\$ 177,799,224

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Statements of Cash Flows

	Years Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (12,270,154)	\$ 7,530,405
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	4,135	5,877
Realized (gain) on investments	(4,429,784)	(10,010,333)
Unrealized loss (gain) on investments	14,438,503	5,468,372
Net loss (gain) on split-interest agreements	(383)	25,959
Change in operating assets and liabilities		
Contributions and other receivables	2,157,250	82,148
Other assets	(6,739)	(30,623)
Grants payable	(649,232)	637,513
Deferred rent payable	(23,846)	(20,439)
Accounts payable and other liabilities	163,047	(6,856)
Net Cash from Operating Activities	(617,203)	3,682,023
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(26,105,690)	(35,364,769)
Proceeds from disposition of investments	27,845,895	31,656,869
Net Cash from Investing Activities	1,733,305	(3,707,900)
CASH FLOWS FROM FINANCING ACTIVITIES		
Additions to agency funds	344,710	690,096
Reductions in agency funds	(1,318,186)	(840,900)
Net Cash from Financing Activities	(973,476)	(150,804)
Net Change in Cash and Cash Equivalents	142,626	(176,681)
CASH AND CASH EQUIVALENTS		
Beginning of year	241,121	417,802
End of year	\$ 383,747	\$ 241,121

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

1. The Community Foundation

Fairfield County's Community Foundation, Inc., (the "Community Foundation") advances philanthropy to build and sustain a vital and prosperous community where all have the opportunity to participate and thrive. As the region's center of philanthropy, the Community Foundation provides:

- **Grants services and community initiatives** which include leadership and other training to local nonprofits, research on nonprofits and causes, due diligence and consultation with agencies, monitoring and evaluation of grant programs and strategic initiatives that address key regional issues.
- **Philanthropic advisory services** and financial stewardship to donors and partners which includes the education of donors and the public about philanthropy, community needs and charitable giving issues as well as support for donor grant making efforts.

The Community Foundation is a qualifying non-profit organization as defined in Section 501(c) (3) of the Internal Revenue Code. Accordingly, the Community Foundation is exempt from federal and state income taxes. Contributions made to the Community Foundation qualify for the maximum allowable deduction under the Internal Revenue Code.

2. Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Community Foundation is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, net assets of the Community Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets – These net assets are defined as assets that are free of donor-imposed restrictions and include all investment income and appreciation not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – These net assets include contributions, unconditional promises to give and other inflows of assets whose use by the Community Foundation is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Community Foundation. This classification includes investment income and appreciation, which can be expended when the applicable restrictions are met. Included in the temporarily restricted net assets are charitable remainder unit trusts, and contributions receivable. This classification also includes accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

2. Significant Accounting Policies (continued)

Basis of Presentation (continued)

Temporarily Restricted Net Assets - continued

The Community Foundation's temporarily restricted net assets include the following:

Donor Advised – funds which allow the donor advisors to make recommendations to the Board of Directors regarding grants to charities.

Discretionary – funds which allow the Community foundation's Board of Directors to use its discretion to award grants that respond to either critical community needs or needs within a particular area of charitable interest.

Designated – funds allow donors to support specific organizations they identify in their fund agreements.

Scholarship – funds that provide financial assistance to support students' educational needs.

Split Interest Agreements – irrevocable charitable remainder trusts (CRUTS)

The Community Foundation does not have any permanently restricted net assets.

Endowment Fund Management and Variance Power

To ensure observation of limitations and restrictions placed on the use of resources available to the Community Foundation, the funds of the Community Foundation are managed as individual charitable funds, according to their nature and purpose. Endowment funds are subject to the restriction of the gift instruments. Endowment and other funds are subject to both variance power and limited invasion of corpus power. The Board of Directors has adopted a policy describing the criteria and limited circumstances under which the Community Foundation would exercise these powers.

Fair Value Measurements

The Community Foundation follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist. The input or methodology used for valuation of securities is not necessarily an indication of the risk associated with investing in those securities.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

2. Significant Accounting Policies (*continued*)

Fair Value Measurements (continued)

During 2016, the Community Foundation adopted new U.S. GAAP guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient. Adoption of this guidance was applied retrospectively and had no effect on the carrying value of such investments.

Investments Valuation

Investments are carried at fair value. Investments in publicly traded equity and debt securities are carried at fair value based upon quoted market prices. Mutual funds are carried at the daily reported Net Asset Value ("NAV"). Certificates of deposit are carried at cost plus accrued interest which approximates fair value. The fair value of alternative investments has been estimated using the NAV as reported by the management of the respective alternative investment fund. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Community Foundation's interest therein. 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 investment had been in existence, and the difference could be material. Considerable judgment is required to interpret the factors used to develop estimates of fair value.

Investment Income Recognition

The Community Foundation maintains pooled investment accounts for most of its funds. Interest, dividends, investment expenses and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to all of the donor funds in each pool based on the relationship of the market value of each fund to the total market value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Cash and Cash Equivalents

The Community Foundation considers all highly liquid investments with a maturity of three months or less at the time of purchase that are utilized for operations, to be cash equivalents.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

2. Significant Accounting Policies (*continued*)

Split-Interest Agreements

Split-interest agreements consist of assets placed in trust for the benefit of the Community Foundation and beneficiaries. Revocable split-interest agreements are not recorded as contributions unless enforceable by law. Irrevocable split-interest agreements are recorded as contributions at fair value when the assets are received or when the Community Foundation is notified of the existence of the agreement, net of a liability for the present value of future cash outflows to the beneficiaries. The liability is adjusted during the term of the agreement for changes in actuarial assumptions. The asset "split interest agreement" is valued at fair value each reporting period using level 2 inputs.

Other Assets

Other assets consist of the cash surrender value on life insurance policies and property and equipment recorded at cost which is being depreciated using the straight-line method over the useful lives of the assets which range from three to ten years.

Agency Funds

The Community Foundation receives and distributes assets under certain agency fund agreements with unrelated organizations. Amounts received and distributed under these relationships totaled \$12,000 and \$32,000 in 2016 and \$951,880 and \$485,102 in 2015.

Contributions

Contributions received, including unconditional pledges, are recognized as increases in net assets in the period received at fair value. Contributions stipulated by the donor to be used for certain purposes are released from restriction as the donor stipulated purposes are fulfilled. No allowance for doubtful accounts has been provided as management has deemed that all receivables are collectible.

Contributed Services

A substantial number of volunteers have donated their time to the Community Foundation's programs and supporting services. These contributed services did not meet the requirements for recognition in the financial statements for the years ended June 30, 2016 and 2015.

Grants

All grants made are in accordance with the terms of the various governing instruments and are subject to the approval of the Board and are recorded when approved.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

2. Significant Accounting Policies (*continued*)

Rent Expense

Rent expense under operating leases is recognized on a straight-line basis over the life of the underlying lease. Any difference between the amount expensed and the amount due and payable in accordance with the terms of the lease is recorded as deferred rent payable.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates and assumptions relate to the determination of the fair value of alternative investments, the allowance for doubtful accounts and contributions receivable, allocation of functional expenses and depreciation of property and equipment. Actual results could differ from those estimates.

Accounting of Uncertainty in Income Taxes

The Community Foundation recognizes the effect of income tax positions when they are more likely than not to be sustained. Management has determined that the Community Foundation had no uncertain tax positions that would require financial statement recognition or disclosure. The Community Foundation is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to fiscal 2013.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date these financial statements were available to be issued, which date is September 27, 2016.

3. Credit Risk Concentration

Financial instruments that potentially subject the Community Foundation to significant concentrations of credit risk consist principally of cash, cash equivalents, contributions receivable and investments. At times, cash balances held at financial institutions were in excess of Federally insured limits. The Community Foundation believes that no significant concentration of credit risk exists with respect to contributions receivable. Concentration of credit risk with respect to investments is reduced by diversification, professional management, and limited exposure to any single investment.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

4. Investments and Investment Return

Investments at June 30, categorized according to fair value hierarchy for those investments subject to categorization in the fair value hierarchy are summarized as follows:

<u>Description</u>	2016			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Cash equivalents	\$ 6,246,956	\$ 176,835	\$ -	\$ 6,423,791
Equity securities	30,250,913	-	-	30,250,913
Equity mutual funds	18,714,402	-	-	18,714,402
Fixed income mutual funds	198,699	-	-	198,699
Real assets / commodities mutual funds	44,335	-	-	44,335
U. S. Government securities	4,749,304	539,271	-	5,288,575
Corporate bonds	-	4,734,116	-	4,734,116
Alternative investments (1)	-	-	-	104,677,339
Total Investments at Fair Value	<u>\$ 60,204,609</u>	<u>\$ 5,450,222</u>	<u>\$ -</u>	170,332,170
Certificates of deposit				<u>4,506,884</u>
Total Investments				<u>\$ 174,839,054</u>

<u>Description</u>	2015			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Cash equivalents	\$ 1,710,663	\$ 176,730	\$ -	\$ 1,887,393
Equity securities	36,317,080	-	-	36,317,080
Equity mutual funds	17,125,340	-	-	17,125,340
Fixed income mutual funds	134,365	-	-	134,365
Real assets / commodities mutual funds	88,680	-	-	88,680
U. S. Government securities	6,137,384	987,945	-	7,125,329
Corporate bonds	-	4,925,446	-	4,925,446
Alternative investments (1)	-	-	-	114,494,192
Total Investments at Fair Value	<u>\$ 61,513,512</u>	<u>\$ 6,090,121</u>	<u>\$ -</u>	182,097,825
Certificates of deposit				<u>4,490,153</u>
Total Investments				<u>\$ 186,587,978</u>

(1) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy. The fair value amounts presented in the total column of this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

4. Investments and Investment Return (continued)

Information regarding alternative investments measured at NAV using the practical expedient at December 31, 2015 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Non-U.S. Equity (see "a" below)	\$ 37,665,416	\$ -	Monthly	5-30 days
Fund of hedge funds (see "b" below)	12,549,323	-	Monthly	45-90 days
Fund of hedge funds (see "c" below)	8,757,131	-	Annually	95-105 days
Equity - Funds of hedge funds (see "d" below)	23,892,860	-	Bi-Annually	60 days
Hedge - Funds of hedge funds (see "e" below)	11,626,010	-	1-3 Years	45-105 days
Fixed Income (see "f" below)	5,164,940	-	Monthly	10 days
Private Equity (see "g" below)	1,664,919	423,451	**	**
Private Real Asset (see "h" below)	701,090	1,298,910	**	**
Real Estate (see "i" below)	<u>2,655,650</u>	<u>1,125,000</u>	**	**
	<u>\$ 104,677,339</u>	<u>\$ 2,847,361</u>		

- (a) This category includes investments in a limited liability company (LLC), trusts and a mutual fund. The investment objective is to enable investors to achieve long term growth of capital through investments in a professionally managed equity-based portfolio. Securities should have above average potential for earnings. Investments are predominately in common and preferred stocks of emerging and growth international companies and small to medium capital US companies.
- (b) This category includes investments with two global investment strategies which pursue superior, risk-adjusted returns. One hedge fund of funds investment strategy pursues macro strategies with moderate to low correlations that provide strong risk-adjusted returns in a variety of market environments. The LLC fund invests in long or short positions in equities, credit, local interest rates, currencies and commodities. The fund of funds investment may be redeemed monthly with 4 days notice. The LLC fund may be redeemed semi-annually with 60 days notice.
- (c) This category includes investments in three hedge funds of funds with varying investment objectives to protect and preserve capital while pursuing superior, risk-adjusted capital appreciation over the long term, as well as providing good absolute returns.
- (d) This category includes investments in seven direct long/short equity hedge funds that seek to provide investors with high total returns through long and short investment positions in equity, debt and currencies across global markets, with emphasis on emerging market investments. Funds may be redeemed with three to six months notice. Once investment for \$3.2 million may not be redeemed until December 2017.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

4. Investments and Investment Return (continued)

- (e) This category includes investments in four funds with varying investment objectives and strategies to invest in assets trading below their fundamental value, or which are mispriced. Funds may invest in marketable securities, preferred stocks, convertible securities, warrants, options, bonds, credit derivatives, and other financial instruments. For one fund, 1/6 of capital may be redeemed every six months.
- (f) This category includes investments in a bond fund. The investment objective is to achieve favorable income-oriented returns through a globally diversified portfolio composed primarily of debt securities in developed markets as well as the preservation and enhancement of principal.
- (g) This category includes private equity interests in three limited partnerships. One partnership's investment objective is to achieve capital appreciation through investing directly or indirectly in securities of companies undergoing financial distress, operating difficulties and significant restructuring. The second partnership's seeks to generate long term appreciation through a diversified portfolio of private equity investments in the U.S. and internationally. The third uses venture investments to grow the value of companies in targeted segments. Management estimates the first investment will be liquidated over the next four years, the second in the next year, and the third in 8 years.
- (h) This category includes one private real assets fund that makes growth equity investments in energy businesses operating in North America, primarily in upstream exploration and production, midstream and oilfield services. Management estimates these investments will be liquidated over five years.
- (i) This category includes investments in two direct real estate investments that seek to achieve annual investment returns in the mid-teens, while focusing on the preservation of capital. Investments are focused on acquisition, development, redevelopment, operation and management of commercial properties or real estate investments both in the U.S. and in the European and Asian markets. Management estimates these investments will be liquidated over the next three years.

There were no reclassifications between Level 1 and Level 2 investments during years ended June 30, 2016 and 2015.

The Community Foundation utilizes a total return investment approach with its asset allocation diversified over multiple asset classes. Investments are managed by independent fund managers under guidelines established by the Board of Directors and executed by the Investment Committee, with recommendations from the Foundation's independent investment consultant.

Investment return on the total portfolio for the years ended June 30, is as follows:

	2016	2015
Realized gains, net	\$ 4,429,784	\$ 10,010,333
Unrealized gains (losses), net	(14,438,503)	(5,468,372)
Interest and dividends	1,645,244	1,579,623
	(8,363,475)	6,121,584
Less investment expenses	(1,182,026)	(1,308,815)
	\$ (9,545,501)	\$ 4,812,769

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

5. Contributions and Other Receivables

Contributions and other receivables at June 30, consist of the following:

	<u>2016</u>	<u>2015</u>
Contributions	\$ 63,887	\$ 2,173,872
Interest and dividends receivable	<u>-</u>	<u>47,265</u>
	<u>\$ 63,887</u>	<u>\$ 2,221,137</u>

Contributions receivable include a receivable from an estate trust which totaled \$2,136,814 as of June 30, 2015. The amount is based upon the Community Foundation's estimated share of the trust assets at fair value. The receivable was received upon final liquidation of the assets in May 2016.

6. Endowment

The Community Foundation's endowment consists of 579 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CUPMIFA) as allowing the Community Foundation to appropriate for expenditures or accumulate so much of the donor-restricted endowment fund as the Community Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established, subject to the intent of the donors as expressed in their gift instruments. The assets in the endowment funds are classified as donor-restricted assets until appropriated for expenditure by the Board of Directors.

In accordance with U.S. GAAP guidance, donor-restricted endowment funds subject to the limited invasion of corpus over time may be an endowment fund within the meaning of CUPMIFA, but are not a permanent endowment fund subject to classification within permanently restricted net assets. A significant portion of the Community Foundation's endowment funds, as authorized under the Community Foundation's governing documents and gift instruments, are held subject to both variance power and limited invasion of corpus power and, as such, are classified as temporarily restricted net assets.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

6. Endowment (continued)

Endowment Net Assets and Changes for the Fiscal Year Ended June 30, 2016:

	Unrestricted Board Designated	Temporarily Restricted	Total
Endowment net assets, beginning of year	\$ 3,257,034	\$ 172,755,404	\$ 176,012,438
Investment return, net of expenses	(200,021)	(9,345,480)	(9,545,501)
Appropriation of endowment assets for expenditure	(3,263,009)	(14,180,796)	(17,443,805)
Contributions	3,432,450	12,353,092	15,785,542
Change in value of split interest agreements	-	560	560
Other income	31,454	230,842	262,296
Endowment net assets, end of year	\$ 3,257,908	\$ 161,813,622	\$ 165,071,530

Endowment Net Assets and Changes for the Fiscal Year Ended June 30, 2015:

	Board Designated	Temporarily Restricted	Total
Endowment net assets, beginning of year	\$ 3,261,878	\$ 165,269,111	\$ 168,530,989
Investment return, net of expenses	89,300	4,766,528	4,855,828
Appropriation of endowment assets for expenditure	(240,778)	(13,295,994)	(13,536,772)
Contributions	111,411	16,041,718	16,153,129
Change in value of split interest agreements	-	(25,959)	(25,959)
Other income	35,223	-	35,223
Endowment net assets, end of year	\$ 3,257,034	\$ 172,755,404	\$ 176,012,438

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

6. Endowment (continued)

Description of Amounts Classified as Temporarily Restricted Net Assets (Endowment Only) as of June 30 are as follows:

	<u>2016</u>	<u>2015</u>
Temporarily restricted net assets:		
Endowment funds	\$ 161,784,746	\$ 172,726,911
Split-interest agreements	<u>28,876</u>	<u>28,493</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ 161,813,622</u>	<u>\$ 172,755,404</u>

Return Objectives and Risk Parameters

The Community Foundation has adopted investment and spending policies that provide a predictable stream of funding for its programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Community Foundation must hold for donor-specified periods as well as board-designated funds.

Strategies Employed for Achieving Objectives

The Community Foundation uses a total return strategy to achieve investment returns through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Community Foundation targets a diversified asset allocation among equity, debt, and alternative investments that balances growth, income and liquidity and targets a return in line with the Community Foundation's spending policy goals to support current and changing charitable needs in the community.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Community Foundation's spending policy is administered in accordance with the CUPMIFA and based on the total return concept, which emphasizes investment income and realized and unrealized gains and losses on its investment portfolio. The policy applies to all of the Community Foundation's funds unless the donor has expressed a different intent. The Community Foundation's spending policy is 5% of the previous 12 quarterly average portfolio market values, reviewed and approved annually by the Board of Directors. The spending rate includes the Community Foundation's administrative fee and grants.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

7. Employee Benefit Plan

Eligible employees may participate in a Simplified Employee Plan (SEP). The Community Foundation elects to make contributions to the SEP at its discretion. In April 2011, the Community Foundation adopted a 403(b) thrift plan to provide retirement benefits for employees. The Foundation contributes 5% of the employee's base salary for all employees. Contributions are effective on employment, and vesting of the Community Foundation's contributions occurs when the employee has completed one year of service. During the years ended June 30, 2016 and 2015, the Community Foundation contributions totaled \$111,440 and \$103,506. Employees may elect to make deferred voluntary contributions to the 403(b) thrift plan.

8. Lease Commitment

The Community Foundation leases its office space and certain equipment under operating leases expiring through April 2018. Future minimum payments due under such lease at June 30, 2016 are payable as follows:

2017	\$ 354,399
2018	<u>295,732</u>
	<u>\$ 650,131</u>

For the years ended June 30, 2016 and 2015, office rental expense was \$351,232 and \$376,019.

The Community Foundation maintains an irrevocable transferable letter of credit agreement with a bank that allows for drawdowns of up to \$102,716 by the landlord. The letter of credit is automatically renewed for additional periods of one year through March 31, 2018 which is the final expiration date of this letter of credit. The Community Foundation maintains the unconditional, irrevocable letter of credit in lieu of a cash security deposit with their landlord, as set forth by the terms of the lease agreement.

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**Fairfield County's
Community Foundation, Inc.**

Supplemental Information

June 30, 2016

Fairfield County's Community Foundation, Inc.

Schedule of Functional Expenses
(with summarized totals for the year ended June 30, 2015)

Year Ended June 30, 2016

	Grants	Grants services and community initiatives	Philanthropic advisory services	Total Program Expenses	Management and administration	Fundraising	Total Supporting Services	Total	Year Ended June 30, 2015 - Total
EXPENSES									
Grants made	\$ 12,944,129	\$ -	\$ -	\$ 12,944,129	\$ -	\$ -	\$ -	\$ 12,944,129	\$ 13,111,166
Salaries and related expense	-	1,170,869	393,963	1,564,832	708,031	482,122	1,190,153	2,754,985	2,566,834
Program initiative expenses	-	9,219	3,102	12,321	5,575	3,796	9,371	21,692	53,480
Professional fees	-	306,741	38,032	344,773	155,709	46,542	202,251	547,024	477,132
Information technology	-	72,070	24,249	96,319	43,581	29,676	73,257	169,576	232,665
Occupancy and related expenses	-	163,751	55,097	218,848	99,021	67,427	166,448	385,296	410,572
Office related expenses	-	58,883	16,903	75,786	27,799	18,929	46,728	122,514	153,487
Event expense	-	1,564	120,956	122,520	521	148,023	148,544	271,064	243,951
Promotions and development	-	-	25,400	25,400	-	20,756	20,756	46,156	37,755
Meetings and conferences	-	59,959	20,174	80,133	36,258	24,689	60,947	141,080	141,992
Travel	-	5,480	1,844	7,324	3,314	2,257	5,571	12,895	13,351
Insurance	-	-	-	-	7,294	-	7,294	7,294	6,204
Depreciation	-	1,757	591	2,348	1,063	724	1,787	4,135	5,880
Other	-	6,785	2,283	9,068	4,103	2,794	6,897	15,965	4,634
Year Ended June 30, 2016	<u>\$ 12,944,129</u>	<u>\$ 1,857,078</u>	<u>\$ 702,594</u>	<u>\$ 15,503,801</u>	<u>\$ 1,092,269</u>	<u>\$ 847,735</u>	<u>\$ 1,940,004</u>	<u>\$ 17,443,805</u>	<u>\$ 17,459,103</u>
Year Ended June 30, 2015	<u>\$ 13,111,167</u>	<u>\$ 1,799,992</u>	<u>\$ 749,580</u>	<u>\$ 15,660,739</u>	<u>\$ 1,020,888</u>	<u>\$ 777,476</u>	<u>\$ 1,798,364</u>	<u>\$ 17,459,103</u>	

See independent auditors' report