

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

Financial Statements

June 30, 2019 and 2018

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, 2019 and 2018, and the related statements of activities, functional expenses 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, 2019 and 2018 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.

Change in Accounting Principle

As discussed in note 2 to the financial statements, during the year ended June 30, 2019, Fairfield County's Community Foundation, Inc. adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

PKF O'Connor Davies, LLP

October 25, 2019

Fairfield County's Community Foundation, Inc.

Statements of Financial Position

	June 30,	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,237,790	\$ 689,761
Contributions and other receivables	43,644	22,463
Investments	219,061,350	220,653,699
Split-interest agreements	30,624	30,819
Property and equipment, net	284,208	360,764
Other assets	95,769	102,185
	\$ 220,753,385	\$ 221,859,691
 LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 1,100,715	\$ 1,310,899
Accounts payable and other liabilities	230,039	334,889
Liability under split-interest agreements	5,404	5,690
Deferred rent payable	328,718	254,861
Agency funds	9,519,927	9,751,342
Total Liabilities	11,184,803	11,657,681
Net Assets		
Without Donor Restrictions		
Undesignated	2,200,409	2,396,563
Board designated	2,797,298	2,484,642
Total Without Donor Restriction	4,997,707	4,881,205
With Donor Restrictions		
Donor advised funds	93,671,857	93,717,114
Discretionary and field of interest funds	72,066,395	73,418,386
Designated funds	9,546,100	13,622,104
Scholarships funds	29,261,303	24,538,072
Split-interest agreements	25,220	25,129
Total With Donor Restrictions	204,570,875	205,320,805
Total Net Assets	209,568,582	210,202,010
	\$ 220,753,385	\$ 221,859,691

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Statement of Activities
Year Ended June 30, 2019
(with summarized totals for the year ended June 30, 2018)

	2019			2018
	Without Donor Restriction	With Donor Restriction	Total	Total
REVENUES				
Contributions	\$ 4,426,189	\$ 14,291,113	\$ 18,717,302	\$ 18,856,779
Investment return, net of expenses	157,351	4,543,020	4,700,371	19,472,953
Change in value of split-interest agreements	-	90	90	109
Other income	171,379	78,038	249,417	271,223
Net assets released from restrictions	<u>19,662,191</u>	<u>(19,662,191)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>24,417,110</u>	<u>(749,930)</u>	<u>23,667,180</u>	<u>38,601,064</u>
EXPENSES				
Program				
Grants				
Donor advised	14,110,777	-	14,110,777	13,995,482
Designated	322,399	-	322,399	394,675
Scholarships	869,484	-	869,484	1,083,938
Discretionary and Field of Interest				
Arts	89,510	-	89,510	119,500
Capacity building	21,600	-	21,600	-
Economic opportunity	574,536	-	574,536	615,566
Education	1,630,751	-	1,630,751	1,767,100
Environment	6,677	-	6,677	3,500
Health & human services	826,505	-	826,505	495,479
Women and girls	<u>598,329</u>	<u>-</u>	<u>598,329</u>	<u>418,315</u>
Total Discretionary and Field of Interest Grants	<u>3,747,908</u>	<u>-</u>	<u>3,747,908</u>	<u>3,419,460</u>
Total Grants	19,050,568	-	19,050,568	18,893,555
Grants services and community initiatives	2,123,507	-	2,123,507	1,881,975
Philanthropic advisory services	<u>372,933</u>	<u>-</u>	<u>372,933</u>	<u>454,834</u>
Total Program Expenses	<u>21,547,008</u>	<u>-</u>	<u>21,547,008</u>	<u>21,230,364</u>
Supporting Services				
Management and administration	1,839,144	-	1,839,144	1,698,509
Fundraising	<u>914,456</u>	<u>-</u>	<u>914,456</u>	<u>1,264,416</u>
Total Supporting Services	<u>2,753,600</u>	<u>-</u>	<u>2,753,600</u>	<u>2,962,925</u>
Total Expenses	<u>24,300,608</u>	<u>-</u>	<u>24,300,608</u>	<u>24,193,289</u>
Change in Net Assets	116,502	(749,930)	(633,428)	14,407,775
NET ASSETS				
Beginning of year	<u>4,881,205</u>	<u>205,320,805</u>	<u>210,202,010</u>	<u>195,794,235</u>
End of year	<u>\$ 4,997,707</u>	<u>\$ 204,570,875</u>	<u>\$ 209,568,582</u>	<u>\$ 210,202,010</u>

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Statement of Activities
Year Ended June 30, 2018

	Without Donor Restriction	With Donor Restriction	Total
REVENUES			
Contributions	\$ 5,652,559	\$ 13,204,220	\$ 18,856,779
Investment return, net of expenses	306,629	19,166,324	19,472,953
Change in value of split-interest agreements	-	109	109
Other income	46,731	224,492	271,223
Net assets released from restrictions	19,045,283	(19,045,283)	-
Total Revenues	25,051,202	13,549,862	38,601,064
EXPENSES			
Program			
Grants			
Donor advised	13,995,482	-	13,995,482
Designated	394,675	-	394,675
Scholarships	1,083,938	-	1,083,938
Discretionary and Field of Interest			
Arts	119,500	-	119,500
Capacity building	-	-	-
Economic opportunity	615,566	-	615,566
Education	1,767,100	-	1,767,100
Environment	3,500	-	3,500
Health & human services	495,479	-	495,479
Women and girls	418,315	-	418,315
Total Discretionary and Field of Interest	3,419,460	-	3,419,460
Interest Grants	3,419,460	-	3,419,460
Total Grants	18,893,555	-	18,893,555
Grants services and community initiatives	1,881,975	-	1,881,975
Philanthropic advisory services	454,834	-	454,834
Total Program Expenses	21,230,364	-	21,230,364
Supporting Services			
Management and administration	1,698,509	-	1,698,509
Fundraising	1,264,416	-	1,264,416
Total Supporting Services	2,962,925	-	2,962,925
Total Expenses	24,193,289	-	24,193,289
Change in Net Assets	857,913	13,549,862	14,407,775
NET ASSETS			
Beginning of year	4,023,292	191,770,943	195,794,235
End of year	\$ 4,881,205	\$ 205,320,805	\$ 210,202,010

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Statement of Functional Expenses
(with summarized totals for the year ended June 30, 2018)

Year Ended June 30, 2019

	Grants	Grants services and community initiatives	Philanthropic advisory services	Total Program Expenses	Management and administration	Fundraising	Total Supporting Services	Total	Year Ended June 30, 2018 - Total
EXPENSES									
Grants made	\$ 19,050,568	\$ -	\$ -	\$ 19,050,568	\$ -	\$ -	\$ -	\$ 19,050,568	\$ 18,893,555
Salaries and related expense		1,181,000	274,224	1,455,224	1,304,225	429,022	1,733,247	3,188,471	2,867,106
Program initiative expenses				-					447
Professional fees	-	557,582	22,046	579,628	161,980	146,421	308,401	888,029	950,049
Information technology	-	96,937	22,509	119,446	107,052	35,214	142,266	261,712	201,281
Occupancy and related expenses	-	115,970	26,928	142,898	128,071	42,129	170,200	313,098	646,283
Office related expenses	-	55,683	12,929	68,612	61,692	20,228	81,920	150,532	127,529
Event expense	-	54,762	-	54,762	-	219,050	219,050	273,812	340,180
Promotions and development	-	-	-	-	-	25	25	25	7,485
Meetings and conferences	-	26,785	6,219	33,004	29,579	9,730	39,309	72,313	58,367
Travel	-	3,115	723	3,838	3,440	1,131	4,571	8,409	9,447
Insurance	-	-	-	-	8,130	-	8,130	8,130	7,193
Depreciation	-	28,356	6,584	34,940	31,314	10,301	41,615	76,555	78,547
Other	-	3,317	771	4,088	3,661	1,205	4,866	8,954	5,820
Year Ended June 30, 2019	<u>\$ 19,050,568</u>	<u>\$ 2,123,507</u>	<u>\$ 372,933</u>	<u>\$ 21,547,008</u>	<u>\$ 1,839,144</u>	<u>\$ 914,456</u>	<u>\$ 2,753,600</u>	<u>\$ 24,300,608</u>	<u>\$ 24,193,289</u>
Year Ended June 30, 2018	<u>\$ 18,893,555</u>	<u>\$ 1,881,975</u>	<u>\$ 454,834</u>	<u>\$ 21,230,364</u>	<u>\$ 1,698,509</u>	<u>\$ 1,264,416</u>	<u>\$ 2,962,925</u>	<u>\$ 24,193,289</u>	

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Schedule of Functional Expenses
Year Ended June 30, 2018

	Grants	Grants services and community initiatives	Philanthropic advisory services	Total Program Expenses	Management and administration	Fundraising	Total Supporting Services	Total
EXPENSES								
Grants made	\$ 18,893,555	\$ -	\$ -	\$ 18,893,555	\$ -	\$ -	\$ -	\$ 18,893,555
Salaries and related expense	-	960,194	318,474	1,278,668	995,403	593,035	1,588,438	2,867,106
Program initiative expenses	-	447	-	447	-	-	-	447
Professional fees	-	484,504	12,342	496,846	303,526	149,677	453,203	950,049
Information technology	-	67,409	22,358	89,767	69,881	41,633	111,514	201,281
Occupancy and related expenses	-	216,440	71,788	288,228	224,377	133,678	358,055	646,283
Office related expenses	-	30,406	13,566	43,972	47,158	36,399	83,557	127,529
Event expense	-	68,036	-	68,036	-	272,144	272,144	340,180
Promotions and development	-	-	-	-	-	7,485	7,485	7,485
Meetings and conferences	-	23,122	5,886	29,008	18,398	10,961	29,359	58,367
Travel	-	3,164	1,049	4,213	3,280	1,954	5,234	9,447
Insurance	-	-	-	-	7,193	-	7,193	7,193
Depreciation	-	26,305	8,725	35,030	27,270	16,247	43,517	78,547
Other	-	1,948	646	2,594	2,023	1,203	3,226	5,820
Year Ended June 30, 2018	<u>\$ 18,893,555</u>	<u>\$ 1,881,975</u>	<u>\$ 454,834</u>	<u>\$ 21,230,364</u>	<u>\$ 1,698,509</u>	<u>\$ 1,264,416</u>	<u>\$ 2,962,925</u>	<u>\$ 24,193,289</u>

Fairfield County's Community Foundation, Inc.

Statements of Cash Flows

	Years Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (633,428)	\$ 14,407,775
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	76,555	78,547
Realized (gain) on investments	(14,141,334)	(4,804,641)
Unrealized loss (gain) on investments	10,796,787	(14,242,770)
Net loss (gain) on split-interest agreements	(91)	(109)
Change in operating assets and liabilities		
Contributions and other receivables	(21,181)	78,097
Other assets	6,416	47,555
Grants payable	(210,184)	(862,102)
Deferred rent payable	73,857	220,796
Accounts payable and other liabilities	(104,850)	13,665
	<u>(4,157,453)</u>	<u>(5,063,187)</u>
Net Cash from Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(32,229,440)	(8,148,769)
Proceeds from disposition of investments	37,166,336	13,137,498
Purchases of furniture and equipment	-	(11,231)
	<u>4,936,896</u>	<u>4,977,498</u>
Net Cash from Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Additions to agency funds	940,153	1,084,864
Reductions in agency funds	(1,171,567)	(457,680)
	<u>(231,414)</u>	<u>627,184</u>
Net Cash from Financing Activities		
Net Change in Cash and Cash Equivalents	548,029	541,495
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>689,761</u>	<u>148,266</u>
End of year	<u>\$ 1,237,790</u>	<u>\$ 689,761</u>

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

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:

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Net Assets Without donor Restrictions – net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

2. Significant Accounting Policies (*continued*)

Basis of Presentation (continued)

Net Assets With Donor Restrictions - continued

The Community Foundation's net assets with donor restrictions 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 which 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).

Change in Accounting Principle

On July 1, 2018, the Community Foundation adopted new U.S. GAAP guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires the Community Foundation to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the Community Foundation to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements. There were no changes to prior year net assets as a result of implementing this standard.

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 consequently, the Community Foundation has classified such endowment funds within net assets with donor restrictions (see note 6).

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

2. Significant Accounting Policies (*continued*)

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.

Pursuant to U.S. GAAP guidance, alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient are not categorized within the fair value hierarchy.

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 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.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

2. Significant Accounting Policies (*continued*)

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.

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.

Property and Equipment

Property and equipment with a cost of \$3,000 or more and with an estimated useful life greater than one year, are capitalized at cost, or if donated, at approximate fair value at the date of donations. Depreciation is computed using the straight-line method over their estimated useful lives. Property and Equipment consists primarily of office furniture and computer equipment with useful lives ranging from three to seven years.

Other Assets

Other assets consist of prepaid expenses and the cash surrender value on a life insurance policy.

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 \$103,050 and \$411,592 in 2019 and \$77,000 and \$308,644 in 2018.

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.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

2. Significant Accounting Policies (*continued*)

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, 2019 and 2018.

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.

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.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program and supporting services of the Community Foundation. Therefore, expenses require allocation on a reasonable and consistent basis. The more significant expense allocations include salaries and related personnel costs and occupancy. Personnel costs have been allocated based on estimates of time and effort. Other expenses, such as occupancy are allocated based on the personnel cost allocation percentages.

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 2016.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

2. Significant Accounting Policies (continued)

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 October 25, 2019.

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.

4. Liquidity and Availability

Financial assets available for general expenditure, that is, without restrictions limiting their use, within one year of June 30, 2019 are as follows:

Financial assets:	
Cash and cash equivalents	\$ 1,237,790
Receivables	43,644
Investments	2,173,250
Board designations:	
Endowment assets available for expenditure in FY2020	<u>12,600,433</u>
Financial asset available to meet general expenditures over the next twelve months	<u>\$ 16,055,117</u>

The Community Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Community Foundation invests cash in excess of monthly requirements in short-term investments. The Community Foundation's governing board has designated \$2,797,298 of its resources without donor restrictions for endowment. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

5. Investments and Investment Return

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

<u>Description</u>	2019			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 4,542,918	\$ -	\$ -	\$ 4,542,918
Equity securities	15,456,079	-	-	15,456,079
Equity mutual funds	38,567,657	-	-	38,567,657
Fixed income mutual funds	29,348,012	-	-	29,348,012
Real assets / commodities mutual funds	48,730	-	-	48,730
Corporate bonds	-	1,713,065	-	1,713,065
Alternative investments (1)	-	-	-	124,695,689
Total Investments at Fair Value	\$ 87,963,396	\$ 1,713,065	\$ -	214,372,150
Certificates of deposit				4,689,200
Total Investments				\$ 219,061,350

<u>Description</u>	2018			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 7,270,512	\$ -	\$ -	\$ 7,270,512
Equity securities	20,225,289	-	-	20,225,289
Equity mutual funds	39,126,807	-	-	39,126,807
Fixed income mutual funds	27,802,016	-	-	27,802,016
Real assets / commodities mutual funds	44,744	-	-	44,744
Corporate bonds	-	244,721	-	244,721
Alternative investments (1)	-	-	-	121,349,170
Total Investments at Fair Value	\$ 94,469,368	\$ 244,721	\$ -	216,063,259
Certificates of deposit				4,590,440
Total Investments				\$ 220,653,699

(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, 2019 and 2018

5. Investments and Investment Return (continued)

Information regarding alternative investments measured at NAV using the practical expedient at June 30, 2019 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Non-U.S. Equity (see "a" below)	\$ 63,629,232	\$ -	Monthly	10-30 days
Fund of hedge funds (see "b" below)	7,243,460	-	Monthly	45-90 days
Fund of hedge funds (see "c" below)	9,410,989	-	Quarterly	45-95 days
Hedge - Funds of hedge funds (see "d" below)	5,609,379	-	1-3 Years	30-105 days
Fixed Income (see "e" below)	12,565,698	-	Monthly	3-60 days
Private Equity (see "f" below)	8,248,799	12,253,497	**	**
Private Real Asset (see "g" below)	15,469,691	2,264,773	**	**
Real Estate (see "h" below)	2,518,441	6,728,969	**	**
	<u>\$ 124,695,689</u>	<u>\$ 21,247,239</u>		

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- (a) This category includes investments in a limited liability company (LLC), trusts and a hedge fund. The investment objective is to enable investors to achieve long term growth of capital through investments in professionally managed equity-based portfolios. Securities have above average potential for earnings. Investments are in common and preferred stocks of emerging and growth international companies and in small to medium capital US companies.
- (b) This category includes investments in a fund of funds. The investment objective is to invest in a widely diversified portfolio consisting exclusively of global equity securities that are publicly traded.
- (c) This category includes investments in a fund of funds and two direct long/short equity funds with various investment objectives in the US, Europe and Asia. Funds seek to provide investors with maximum appreciation of capital with reasonable risk by investing in a diversified group of equities, undervalued public listed companies, or portfolios of securities with lower correlations to investment markets.
- (d) This category includes varying investment objectives and strategies within the fund of funds composites, direct multi strategy hedge funds and direct long/short equity hedge funds. Certain funds have lockup periods ranging one to three years, including varying redemptions and notice periods. There are five funds within this category.
- (e) This category includes four investments that employ systematic global macro and trading strategies to achieve returns in global fixed income, foreign exchange, sovereign exchange, and other financial markets, using a wide range of financial instruments. One investment is in a global macro fund investing in debt and other securities.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

5. Investments and Investment Return (*continued*)

- (f) This category includes private equity interests in ten limited partnerships. Three 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. Two partnership make private venture investments in a broad range of sectors and stages. Another partnership makes growth and buyout investments primarily in financial services companies. The other partnership invests in securitized non-performing loans through public auctions offered by government sponsored enterprises. The remaining three partnerships are private equity secondary funds, one is focused on diversified US private equity investments and the other two invest globally in funds or direct stakes in private operating companies. Management estimates the investments will be liquidated over the next eight years.
- (g) This category includes three limited partnerships. One makes growth equity investments in private energy businesses operating in North America, primarily in upstream exploration and production, midstream, and oilfield services. The other is a diversified, liquid real assets strategy investing in US TIPS, US REITS, commodities, global infrastructure equities and global natural resource equities. Management estimates these investments will be liquidated over the next seven years.
- (h) This category includes investments in four 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 private 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 to ten years.

There were no reclassifications between Level 1 and Level 2 investments during years ended June 30, 2019 and 2018.

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 Community Foundation's independent investment consultant.

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

	2019	2018
Realized gains, net	\$ 14,141,334	\$ 4,804,641
Unrealized (losses) gains, net	(10,796,787)	14,242,770
Interest and dividends	2,366,132	1,385,514
	<u>5,710,679</u>	<u>20,432,925</u>
Less investment expenses	(1,010,308)	(959,972)
	<u>\$ 4,700,371</u>	<u>\$ 19,472,953</u>

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

6. Endowment

The Community Foundation's endowment consists of 587 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 net assets with donor restriction in perpetuity.

Endowment Net Assets and Changes for the Fiscal Year Ended June 30, 2019:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,484,642	\$ 205,320,805	\$ 207,805,447
Investment return, net of expenses	76,724	4,543,020	4,619,744
Appropriation of endowment assets for expenditure	(608,752)	(19,662,191)	(20,270,943)
Contributions	834,821	14,291,113	15,125,934
Change in value of split interest agreements	-	90	90
Other income	<u>9,863</u>	<u>78,038</u>	<u>87,901</u>
Endowment net assets, end of year	<u>\$ 2,797,298</u>	<u>\$ 204,570,875</u>	<u>\$ 207,368,173</u>

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

6. Endowment (continued)

Endowment Net Assets and Changes for the Fiscal Year Ended June 30, 2018:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,211,037	\$ 191,770,943	\$ 193,981,980
Investment return, net of expenses	262,282	19,166,324	19,428,606
Appropriation of endowment assets for expenditure	(884,085)	(19,045,283)	(19,929,368)
Contributions	891,695	13,204,220	14,095,915
Change in value of split interest agreements	-	109	109
Other income	<u>3,713</u>	<u>224,492</u>	<u>228,205</u>
Endowment net assets, end of year	<u>\$ 2,484,642</u>	<u>\$ 205,320,805</u>	<u>\$ 207,805,447</u>

Description of Amounts Classified as Net Assets with Donor Restrictions as of June 30 are as follows:

	<u>2019</u>	<u>2018</u>
Net assets with donor restrictions:		
Endowment funds	\$ 204,545,655	\$ 205,295,676
Split-interest agreements	<u>25,220</u>	<u>25,129</u>
Total net assets with donor restriction	<u>\$ 204,570,875</u>	<u>\$ 205,320,805</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

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

6. Endowment (continued)

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 4.5% 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.

7. Employee Benefit Plan

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, 2019 and 2018, the Community Foundation contributions totaled \$133,316 and \$108,421. 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 May 2029.

Future minimum payments due under such leases at June 30, 2019 are payable as follows:

2020	\$	245,328
2021		250,235
2022		255,239
2023		260,344
2024		265,551
Thereafter		<u>1,384,983</u>
	\$	<u>2,661,680</u>

For the years ended June 30, 2019 and 2018, office rental expense was \$275,023 and \$576,603.

In connection with the lease for its current office space, the Community Foundation maintains an irrevocable transferable letter of credit agreement with a bank that allows for drawdowns of up to \$198,450 by the landlord. The final expiration date of the letter of credit is May 30, 2029.

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