

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

Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019 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.

PKF O'Connor Davies, LLP

October 14, 2020

Fairfield County's Community Foundation, Inc.

Statements of Financial Position

	June 30,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 958,952	\$ 1,237,790
Contributions and other receivables	41,677	43,644
Investments	212,407,116	219,061,350
Split-interest agreements	32,204	30,624
Property and equipment, net	216,939	284,208
Other assets	147,587	95,769
	\$ 213,804,475	\$ 220,753,385
 LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 277,191	\$ 1,100,715
Accounts payable and other liabilities	267,616	230,039
Liability under split-interest agreements	5,404	5,404
Deferred income	125,675	-
Deferred rent payable	318,647	328,718
Paycheck Protection Program loan	529,300	-
Agency funds	9,156,240	9,519,927
Total Liabilities	10,680,073	11,184,803
Net Assets		
Without Donor Restrictions		
Undesignated	2,266,686	2,200,409
Board designated	3,525,527	2,797,298
Total Without Donor Restriction	5,792,213	4,997,707
With Donor Restrictions		
Donor advised funds	89,075,855	93,671,857
Discretionary and field of interest funds	70,565,500	72,066,395
Designated funds	9,232,840	9,546,100
Scholarships funds	28,431,194	29,261,303
Split-interest agreements	26,800	25,220
Total With Donor Restrictions	197,332,189	204,570,875
Total Net Assets	203,124,402	209,568,582
	\$ 213,804,475	\$ 220,753,385

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Statement of Activities
Year Ended June 30, 2020

	2020			2019
	Without Donor Restriction	With Donor Restriction	Total	Total
REVENUE				
Contributions	\$ 2,991,638	\$ 15,194,136	\$ 18,185,774	\$ 18,717,302
Investment return, net of expenses	79,335	1,439,215	1,518,550	4,700,371
Change in value of split-interest agreements	-	1,581	1,581	90
Other income	182,430	7,373	189,803	249,417
Net assets released from restrictions	<u>23,880,991</u>	<u>(23,880,991)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>27,134,394</u>	<u>(7,238,686)</u>	<u>19,895,708</u>	<u>23,667,180</u>
EXPENSES				
Program				
Grants				
Donor advised	12,877,537	-	12,877,537	14,110,777
Designated	367,522	-	367,522	322,399
Scholarships	1,384,978	-	1,384,978	869,484
Discretionary and Field of Interest				
Advocacy	119,703	-	119,703	-
Arts	39,000	-	39,000	89,510
Capacity building	40,390	-	40,390	21,600
COVID	1,893,500	-	1,893,500	-
Economic opportunity	568,000	-	568,000	574,536
Education	2,506,902	-	2,506,902	1,630,751
Environment	31,700	-	31,700	6,677
Health & human services	352,331	-	352,331	826,505
Women and girls	<u>625,552</u>	<u>-</u>	<u>625,552</u>	<u>598,329</u>
Total Discretionary and Field of Interest Grants	<u>6,177,078</u>	<u>-</u>	<u>6,177,078</u>	<u>3,747,908</u>
Total Grants	20,807,115	-	20,807,115	19,050,568
Grants services and community initiatives	2,327,577	-	2,327,577	2,123,507
Philanthropic advisory services	<u>362,488</u>	<u>-</u>	<u>362,488</u>	<u>372,933</u>
Total Program Expenses	<u>23,497,180</u>	<u>-</u>	<u>23,497,180</u>	<u>21,547,008</u>
Supporting Services				
Management and administration	1,962,730	-	1,962,730	1,839,144
Fundraising	<u>879,978</u>	<u>-</u>	<u>879,978</u>	<u>914,456</u>
Total Supporting Services	<u>2,842,708</u>	<u>-</u>	<u>2,842,708</u>	<u>2,753,600</u>
Total Expenses	<u>26,339,888</u>	<u>-</u>	<u>26,339,888</u>	<u>24,300,608</u>
Change in Net Assets	794,506	(7,238,686)	(6,444,180)	(633,428)
NET ASSETS				
Beginning of year	<u>4,997,707</u>	<u>204,570,875</u>	<u>209,568,582</u>	<u>210,202,010</u>
End of year	<u>\$ 5,792,213</u>	<u>\$ 197,332,189</u>	<u>\$ 203,124,402</u>	<u>\$ 209,568,582</u>

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
REVENUE			
Contributions	\$ 4,426,189	\$ 14,291,113	\$ 18,717,302
Investment return, net of expenses	157,351	4,543,020	4,700,371
Change in value of split-interest agreements	-	90	90
Other income	171,379	78,038	249,417
Net assets released from restrictions	19,662,191	(19,662,191)	-
Total Revenue	24,417,110	(749,930)	23,667,180
EXPENSES			
Program			
Grants			
Donor advised	14,110,777	-	14,110,777
Designated	322,399	-	322,399
Scholarships	869,484	-	869,484
Discretionary and Field of Interest			
Arts	89,510	-	89,510
Capacity building	21,600	-	21,600
Economic opportunity	574,536	-	574,536
Education	1,630,751	-	1,630,751
Environment	6,677	-	6,677
Health & human services	826,505	-	826,505
Women and girls	598,329	-	598,329
Total Discretionary and Field of Interest	3,747,908	-	3,747,908
Interest Grants	19,050,568	-	19,050,568
Total Grants	21,547,008	-	21,547,008
Grants services and community initiatives	2,123,507	-	2,123,507
Philanthropic advisory services	372,933	-	372,933
Total Program Expenses	21,547,008	-	21,547,008
Supporting Services			
Management and administration	1,839,144	-	1,839,144
Fundraising	914,456	-	914,456
Total Supporting Services	2,753,600	-	2,753,600
Total Expenses	24,300,608	-	24,300,608
Change in Net Assets	116,502	(749,930)	(633,428)
NET ASSETS			
Beginning of year	4,881,205	205,320,805	210,202,010
End of year	\$ 4,997,707	\$ 204,570,875	\$ 209,568,582

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Statement of Functional Expenses
Year Ended June 30, 2020

	Grants	Grants Services and Community Initiatives	Philanthropic Advisory Services	Total Program Expenses	Management and Administration	Fundraising	Total Supporting Services	Total	Year Ended June 30, 2019 Total
EXPENSES									
Grants made	\$ 20,807,115	\$ -	\$ -	\$ 20,807,115	\$ -	\$ -	\$ -	\$ 20,807,115	\$ 19,050,568
Salaries and related expense		1,336,024	282,857	1,618,881	1,479,099	511,312	1,990,411	3,609,292	3,188,471
Professional fees	-	660,144	14,347	674,491	134,006	157,036	291,042	965,533	888,029
Information technology	-	82,770	17,524	100,294	91,609	31,677	123,286	223,580	261,712
Occupancy and related expenses	-	119,169	25,230	144,399	131,895	45,607	177,502	321,901	313,098
Office related expenses	-	64,595	13,676	78,271	71,693	24,721	96,414	174,685	150,532
Event expense	-	23,057	-	23,057	-	92,229	92,229	115,286	273,812
Promotions and development	-	-	-	-	-	1,392	1,392	1,392	25
Meetings and conferences	-	8,582	1,817	10,399	9,498	3,284	12,782	23,181	72,313
Travel	-	1,797	381	2,178	1,989	688	2,677	4,855	8,409
Insurance	-	-	-	-	7,317	-	7,317	7,317	8,130
Depreciation	-	29,118	6,164	35,282	32,228	11,144	43,372	78,654	76,555
Other	-	2,321	492	2,813	3,396	888	4,284	7,097	8,954
Year Ended June 30, 2020	<u>\$ 20,807,115</u>	<u>\$ 2,327,577</u>	<u>\$ 362,488</u>	<u>\$ 23,497,180</u>	<u>\$ 1,962,730</u>	<u>\$ 879,978</u>	<u>\$ 2,842,708</u>	<u>\$ 26,339,888</u>	<u>\$ 24,300,608</u>
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>	

Fairfield County's Community Foundation, Inc.

Schedule of Functional Expenses
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
EXPENSES								
Grants made	\$ 19,050,568	\$ -	\$ -	\$ 19,050,568	\$ -	\$ -	\$ -	\$ 19,050,568
Salaries and related expense		1,181,000	274,224	1,455,224	1,304,225	429,022	1,733,247	3,188,471
Professional fees	-	557,582	22,046	579,628	161,980	146,421	308,401	888,029
Information technology	-	96,937	22,509	119,446	107,052	35,214	142,266	261,712
Occupancy and related expenses	-	115,970	26,928	142,898	128,071	42,129	170,200	313,098
Office related expenses	-	55,683	12,929	68,612	61,692	20,228	81,920	150,532
Event expense	-	54,762	-	54,762	-	219,050	219,050	273,812
Promotions and development	-	-	-	-	-	25	25	25
Meetings and conferences	-	26,785	6,219	33,004	29,579	9,730	39,309	72,313
Travel	-	3,115	723	3,838	3,440	1,131	4,571	8,409
Insurance	-	-	-	-	8,130	-	8,130	8,130
Depreciation	-	28,356	6,584	34,940	31,314	10,301	41,615	76,555
Other	-	3,317	771	4,088	3,661	1,205	4,866	8,954
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>

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (6,444,180)	\$ (633,428)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	78,654	76,555
Realized (gain) on investments	(9,087,480)	(14,141,334)
Unrealized loss on investments	8,424,351	10,796,787
Net loss (gain) on split-interest agreements	(1,580)	(91)
Change in operating assets and liabilities		
Contributions and other receivables	1,967	(21,181)
Other assets	(51,818)	6,416
Grants payable	(823,524)	(210,184)
Deferred income	125,675	-
Deferred rent payable	(10,071)	73,857
Accounts payable and other liabilities	37,577	(104,850)
	<u>(7,750,429)</u>	<u>(4,157,453)</u>
Net Cash from Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(34,380,628)	(32,229,440)
Proceeds from disposition of investments	41,697,991	37,166,336
Purchases of furniture and equipment	(11,385)	-
	<u>7,305,978</u>	<u>4,936,896</u>
Net Cash from Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan	529,300	-
Additions to agency funds	589,922	940,153
Reductions in agency funds	(953,609)	(1,171,567)
	<u>165,613</u>	<u>(231,414)</u>
Net Cash from Financing Activities		
Net Change in Cash and Cash Equivalents	(278,838)	548,029
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,237,790</u>	<u>689,761</u>
End of year	<u>\$ 958,952</u>	<u>\$ 1,237,790</u>

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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 two 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, 2020 and 2019

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 donors to establish endowed funds. These funds 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).

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.

Change in Accounting Principles

In June 2018, the Financial Accounting Standards Board issued Accounting Standard Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08") which provides a framework for evaluating whether grants should be accounted for as exchange transactions or non-exchange transactions. The amendment also clarifies the determination of conditional contributions based on evaluating whether there is a right of return and a barrier to overcome. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018 for resource recipients and for annual periods beginning after December 15, 2019 for resource providers. The Community Foundation, as both a resource recipient and resource provider, adopted ASU 2018-08 effective July 1, 2019 on a modified prospective basis and has determined there to be no impact to its financial statements.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

2. Significant Accounting Policies (*continued*)

Change in Accounting Principles (continued)

Effective July 1, 2019, the Community Foundation's adopted new US GAAP revenue recognition guidance which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework. The new framework was applied on a modified retrospective basis. Adoption of the new guidance did not result in a change to previously recognized revenue, however it did result in additional disclosures contained in the following paragraph.

Revenue Recognition

Other revenue is primarily generated from administrative fees for the Agency Fund's, registration fees for workshops related to the Community Foundation's programs and revenue from special events. The performance obligation for the workshops or events is identified at the contract level which represents the Community Foundation's promise to provide the specified workshop or event at a fixed cost. The performance obligation is satisfied at a point in time, when the workshops or events are held or the services are rendered. The performance obligation for the administrative fees is identified at the contract level which represents the Community Foundation to manage the fund. The Community Foundation's performance obligation is satisfied over time as the Agency Fund receives and consumes the benefit when the Community Foundation performs the services.

See Note 4 for detail of all sources of earned income from contracts with customers.

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.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

2. Significant Accounting Policies (*continued*)

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 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.

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.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

2. Significant Accounting Policies (*continued*)

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.

Deferred Revenue

Deferred revenue at June 30, 2020 consists of special event payments received for the Women and Girls Fund annual fundraising event which was scheduled for April 2020 and postponed to April 2020 due to the COVID- 19 pandemic.

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 \$52,000 and \$351,094 in 2020 and \$103,050 and \$411,592 in 2019.

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, 2020 and 2019.

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. All grants payable at June 30, 2020 will be paid within the next 12 months.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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.

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 2017.

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 14, 2020.

3. Credit Risk Concentration

Financial instruments that potentially subject the Community Foundation to significant concentrations of credit risk consist principally of cash, cash equivalents, and investments. At times, cash balances held at financial institutions were in excess of Federally insured limits. 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, 2020 and 2019

4. Earned Income

Earned income was derived from the following sources for the year ending June 30:

	<u>2020</u>	<u>2019</u>
Administrative fees	\$ 93,689	\$ 94,717
Workshop registration fees	43,936	76,662
Special event revenue	35,678	78,038
Advisory fee	<u>16,500</u>	<u>-</u>
	<u>\$ 189,803</u>	<u>\$ 249,417</u>

5. Liquidity and Availability

Financial assets available for general expenditure, that is, without restrictions limiting their use, within one year of the statements of financial position date, comprise the following at June 30,

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 958,952	\$ 1,237,790
Receivables	41,677	43,644
Investments	2,393,160	2,173,250
Endowment assets available for expenditure in FY2021 and FY2020	<u>5,291,157</u>	<u>12,600,433</u>
Financial asset available to meet general expenditures over the next twelve months	<u>\$ 8,684,946</u>	<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. As of June 30, 2020 and 2019, the Community Foundation's governing board has designated \$3,525,527 and \$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, 2020 and 2019

6. 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>	2020			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Cash equivalents	\$ 10,834,145	\$ -	\$ -	\$ 10,834,145
Equity securities	13,632,207	-	-	13,632,207
Equity mutual funds	42,594,147	-	-	42,594,147
Fixed income mutual funds	20,544,117	-	-	20,544,117
Corporate bonds	-	110,449	-	110,449
Alternative investments (1)	-	-	-	119,935,396
Total Investments at Fair Value	\$ 87,604,616	\$ 110,449	\$ -	207,650,461
Certificates of deposit				<u>4,756,655</u>
Total Investments				<u>\$ 212,407,116</u>

<u>Description</u>	2019			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
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				<u>4,689,200</u>
Total Investments				<u>\$ 219,061,350</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, 2020 and 2019

6. Investments and Investment Return (continued)

Information regarding alternative investments measured at NAV using the practical expedient at June 30, 2020 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Non-U.S. Equity (see "a" below)	\$ 54,225,927	\$ -	Monthly	10-30 days
Fund of hedge funds (see "b" below)	6,656,988	-	Monthly	60 days
Fund of hedge funds (see "c" below)	9,725,303	-	Quarterly	45-95 days
Hedge - Funds of hedge funds (see "d" below)	5,740,161	-	1-3 Years	30-105 days
Fixed Income (see "e" below)	11,941,214	-	Monthly	3-60 days
Private Real Asset (see "f" below)	9,871,489	-	Daily-Monthly	3-30 days
Private Equity (see "g" below)	14,714,275	11,297,064	**	**
Private Real Asset (see "h" below)	3,167,647	2,118,237	**	**
Real Estate (see "i" below)	3,892,392	4,179,351	**	**
	<u>\$ 119,935,396</u>	<u>\$ 17,594,652</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, 2020 and 2019

6. Investments and Investment Return (*continued*)

- (f) This category includes two limited partnerships. One partnership's investment objective is through investing in other collective investment fund. The other partnership seeks to establish investment positions primarily in equity securities of midstream energy companies.
- (g) 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.
- (h) 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.
- (i) 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.

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:

	2020	2019
Realized gains, net	\$ 9,087,480	\$ 14,141,334
Unrealized (losses) gains, net	(8,424,351)	(10,796,787)
Interest and dividends	2,329,898	2,366,132
	2,993,027	5,710,679
Less investment expenses	(1,474,477)	(1,010,308)
	<u>\$ 1,518,550</u>	<u>\$ 4,700,371</u>

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

7. Paycheck Protection Program Loan

On April 22, 2020, the Community Foundation received a Paycheck Protection Program Loan (the "PPP Loan"), in the amount of \$529,300, from People's United Bank. Based on meeting certain criteria, a significant portion of the loan may be forgiven. The balance of the PPP Loan that is not forgiven will accrue interest at 1% per annum with interest payments deferred for six months. The outstanding balance is due in two years on April 22, 2022.

8. Endowment

The Community Foundation's endowment consists of 609 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.

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, 2020:

	Board Designated	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,797,298	\$ 204,570,875	\$ 207,368,173
Investment return, net of expenses	6,089	1,439,215	1,445,304
Appropriation of endowment assets for expenditure	(1,132,191)	(23,880,991)	(25,013,182)
Contributions	1,854,331	15,194,136	17,048,467
Change in value of split interest agreements	-	1,581	1,581
Other income	-	7,373	7,373
Endowment net assets, end of year	\$ 3,525,527	\$ 197,332,189	\$ 200,857,716

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

8. Endowment (continued)

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>

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

	<u>2020</u>	<u>2019</u>
Net assets with donor restrictions:		
Endowment funds	\$ 197,305,389	\$ 204,545,655
Split-interest agreements	<u>26,800</u>	<u>25,220</u>
Total net assets with donor restriction	<u>\$ 197,332,189</u>	<u>\$ 204,570,875</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, 2020 and 2019

8. 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.

9. 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, 2020 and 2019, the Community Foundation contributions totaled \$143,652 and \$133,316. Employees may elect to make deferred voluntary contributions to the 403(b) thrift plan.

10. 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, 2020 are payable as follows:

2021	\$	250,235
2022		255,239
2023		260,344
2024		265,551
2025		293,582
Thereafter		<u>1,091,401</u>
	\$	<u>2,416,352</u>

For the years ended June 30, 2020 and 2019, office rental expense was \$279,900 and \$275,023.

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.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

11. Subsequent Events

During the end of the fiscal year, the COVID-19 pandemic impacted the Community Foundation like it did many other organizations. The Community Foundation is closely monitoring its investment portfolio and has taken several steps to strengthen its financial position and balance sheet and to maintain financial liquidity and flexibility. As noted in Note 7, the Community Foundation received a PPP Loan, in the amount of \$529,300, from People's United Bank. In addition, the pandemic may have an adverse impact on the Community Foundation's operations, ability to raise contributions, and overall financial results. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition.

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