

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

Financial Statements

June 30, 2021 and 2020

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., which comprise the statements of financial position as of June 30, 2021 and 2020, 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, 2021 and 2020 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 25, 2021

Fairfield County's Community Foundation, Inc.

Statements of Financial Position

	June 30,	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,237,181	\$ 958,952
Contributions and other receivables	30,236	41,677
Investments	262,603,565	212,407,116
Split-interest agreements	32,634	32,204
Property and equipment, net	145,643	216,939
Other assets	115,447	147,587
	\$ 264,164,706	\$ 213,804,475
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 762,745	\$ 277,191
Accounts payable and other liabilities	280,593	267,616
Liability under split-interest agreements	1,572	5,404
Deferred income	-	125,675
Deferred rent payable	303,669	318,647
Paycheck Protection Program loan	529,352	529,300
Agency funds	11,375,677	9,156,240
Total Liabilities	13,253,608	10,680,073
Net Assets		
Without Donor Restrictions		
Undesignated	3,007,495	2,266,686
Board designated	3,966,680	3,525,527
Total Without Donor Restriction	6,974,175	5,792,213
With Donor Restrictions		
Donor advised funds	110,774,094	89,075,855
Discretionary and field of interest funds	85,781,491	70,565,500
Designated funds	11,435,827	9,232,840
Scholarships funds	35,914,449	28,431,194
Split-interest agreements	31,062	26,800
Total With Donor Restrictions	243,936,923	197,332,189
Total Net Assets	250,911,098	203,124,402
	\$ 264,164,706	\$ 213,804,475

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Statement of Activities
Year Ended June 30, 2021

(With summarized information for the Year Ended June 30, 2020)

	2021			2020
	Without Donor Restriction	With Donor Restriction	Total	Total
REVENUE				
Contributions	\$ 2,003,042	\$ 25,995,304	\$ 27,998,346	\$ 18,185,774
Investment return, net of expenses	651,673	52,469,356	53,121,029	1,518,550
Change in value of split-interest agreements	-	4,262	4,262	1,581
Other income	183,496	-	183,496	189,803
Paycheck Protection Program loan forgiveness	532,737	-	532,737	-
Net assets released from restrictions	<u>31,864,188</u>	<u>(31,864,188)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>35,235,136</u>	<u>46,604,734</u>	<u>81,839,870</u>	<u>19,895,708</u>
EXPENSES				
Program				
Grants				
Donor advised	21,462,986	-	21,462,986	12,877,537
Designated	475,301	-	475,301	367,522
Scholarships	1,185,966	-	1,185,966	1,384,978
Discretionary and Field of Interest				
Advocacy	62,000	-	62,000	119,703
Arts	34,715	-	34,715	39,000
Capacity building	26,200	-	26,200	40,390
COVID -19 and disaster recovery	915,183	-	915,183	1,893,500
Economic opportunity	500,800	-	500,800	568,000
Education	1,828,726	-	1,828,726	2,506,902
Environment	-	-	-	31,700
Health & human services	1,408,909	-	1,408,909	352,331
Women and girls	894,795	-	894,795	625,552
Total Discretionary and Field of Interest Grants	<u>5,671,328</u>	<u>-</u>	<u>5,671,328</u>	<u>6,177,078</u>
Total Grants	28,795,581	-	28,795,581	20,807,115
Grants services and community initiatives	1,707,030	-	1,707,030	2,327,577
Philanthropic advisory services	<u>307,772</u>	<u>-</u>	<u>307,772</u>	<u>362,488</u>
Total Program Expenses	<u>30,810,383</u>	<u>-</u>	<u>30,810,383</u>	<u>23,497,180</u>
Supporting Services				
Management and administration	2,025,249	-	2,025,249	1,962,730
Fundraising	<u>1,217,542</u>	<u>-</u>	<u>1,217,542</u>	<u>879,978</u>
Total Supporting Services	<u>3,242,791</u>	<u>-</u>	<u>3,242,791</u>	<u>2,842,708</u>
Total Expenses	<u>34,053,174</u>	<u>-</u>	<u>34,053,174</u>	<u>26,339,888</u>
Change in Net Assets	1,181,962	46,604,734	47,786,696	(6,444,180)
NET ASSETS				
Beginning of year	<u>5,792,213</u>	<u>197,332,189</u>	<u>203,124,402</u>	<u>209,568,582</u>
End of year	<u>\$ 6,974,175</u>	<u>\$ 243,936,923</u>	<u>\$ 250,911,098</u>	<u>\$ 203,124,402</u>

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Statement of Activities
Year Ended June 30, 2020

	Without Donor Restriction	With Donor Restriction	Total
REVENUE			
Contributions	\$ 2,991,638	\$ 15,194,136	\$ 18,185,774
Investment return, net of expenses	79,335	1,439,215	1,518,550
Change in value of split-interest agreements	-	1,581	1,581
Other income	182,430	7,373	189,803
Net assets released from restrictions	23,880,991	(23,880,991)	-
Total Revenue	27,134,394	(7,238,686)	19,895,708
EXPENSES			
Program			
Grants			
Donor advised	12,877,537	-	12,877,537
Designated	367,522	-	367,522
Scholarships	1,384,978	-	1,384,978
Discretionary and Field of Interest			
Advocacy	119,703	-	119,703
Arts	39,000	-	39,000
Capacity building	40,390	-	40,390
COVID -19	1,893,500	-	1,893,500
Economic opportunity	568,000	-	568,000
Education	2,506,902	-	2,506,902
Environment	31,700	-	31,700
Health & human services	352,331	-	352,331
Women and girls	625,552	-	625,552
Total Discretionary and Field of Interest Grants	6,177,078	-	6,177,078
Total Grants	20,807,115	-	20,807,115
Grants services and community initiatives	2,327,577	-	2,327,577
Philanthropic advisory services	362,488	-	362,488
Total Program Expenses	23,497,180	-	23,497,180
Supporting Services			
Management and administration	1,962,730	-	1,962,730
Fundraising	879,978	-	879,978
Total Supporting Services	2,842,708	-	2,842,708
Total Expenses	26,339,888	-	26,339,888
Change in Net Assets	794,506	(7,238,686)	(6,444,180)
NET ASSETS			
Beginning of year	4,997,707	204,570,875	209,568,582
End of year	\$ 5,792,213	\$ 197,332,189	\$ 203,124,402

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2021

(With summarized information for the 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, 2020 Total
EXPENSES									
Grants made	\$ 28,795,581	\$ -	\$ -	\$ 28,795,581	\$ -	\$ -	\$ -	\$ 28,795,581	\$ 20,807,115
Salaries and related expense		1,226,993	241,303	1,468,296	1,531,357	831,780	2,363,137	3,831,433	3,609,292
Professional fees	-	233,310	17,947	251,257	177,498	78,131	255,629	506,886	965,533
Information technology	-	77,065	15,156	92,221	96,182	52,242	148,424	240,645	223,580
Occupancy and related expenses	-	86,614	17,034	103,648	108,099	58,716	166,815	270,463	321,901
Office related expenses	-	54,070	10,634	64,704	67,483	36,654	104,137	168,841	174,685
Event expense	-	-	-	-	-	140,375	140,375	140,375	115,286
Promotions and development	-	-	-	-	-	-	-	-	1,392
Meetings and conferences	-	1,857	365	2,222	2,318	1,259	3,577	5,799	23,181
Travel	-	93	18	111	115	63	178	289	4,855
Insurance	-	-	-	-	7,464	-	7,464	7,464	7,317
Depreciation	-	22,832	4,490	27,322	28,496	15,478	43,974	71,296	78,654
Other	-	4,196	825	5,021	6,237	2,844	9,081	14,102	7,097
Year Ended June 30, 2021	<u>\$ 28,795,581</u>	<u>\$ 1,707,030</u>	<u>\$ 307,772</u>	<u>\$ 30,810,383</u>	<u>\$ 2,025,249</u>	<u>\$ 1,217,542</u>	<u>\$ 3,242,791</u>	<u>\$ 34,053,174</u>	<u>\$ 26,339,888</u>
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>	

Fairfield County's Community Foundation, Inc.

Schedule 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
EXPENSES								
Grants made	\$ 20,807,115	\$ -	\$ -	\$ 20,807,115	\$ -	\$ -	\$ -	\$ 20,807,115
Salaries and related expense		1,336,024	282,857	1,618,881	1,479,099	511,312	1,990,411	3,609,292
Professional fees	-	660,144	14,347	674,491	134,006	157,036	291,042	965,533
Information technology	-	82,770	17,524	100,294	91,609	31,677	123,286	223,580
Occupancy and related expenses	-	119,169	25,230	144,399	131,895	45,607	177,502	321,901
Office related expenses	-	64,595	13,676	78,271	71,693	24,721	96,414	174,685
Event expense	-	23,057	-	23,057	-	92,229	92,229	115,286
Promotions and development	-	-	-	-	-	1,392	1,392	1,392
Meetings and conferences	-	8,582	1,817	10,399	9,498	3,284	12,782	23,181
Travel	-	1,797	381	2,178	1,989	688	2,677	4,855
Insurance	-	-	-	-	7,317	-	7,317	7,317
Depreciation	-	29,118	6,164	35,282	32,228	11,144	43,372	78,654
Other	-	2,321	492	2,813	3,396	888	4,284	7,097
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>

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 47,786,696	\$ (6,444,180)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	71,296	78,654
Realized gain on investments	(12,030,968)	(9,087,480)
Unrealized (gain) loss on investments	(40,357,391)	8,424,351
Net (gain) on split-interest agreements	(4,262)	(1,580)
Paycheck Protection Program loan forgiveness	(532,737)	-
Change in operating assets and liabilities		
Contributions and other receivables	11,441	1,967
Other assets	32,140	(51,818)
Grants payable	485,554	(823,524)
Deferred income	(125,675)	125,675
Deferred rent payable	(14,978)	(10,071)
Accounts payable and other liabilities	16,414	37,577
Net Cash from Operating Activities	<u>(4,662,470)</u>	<u>(7,750,429)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(88,477,726)	(34,380,628)
Proceeds from disposition of investments	90,669,636	41,697,991
Purchases of furniture and equipment	-	(11,385)
Net Cash from Investing Activities	<u>2,191,910</u>	<u>7,305,978</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	529,352	529,300
Additions to agency funds	2,706,931	589,922
Reductions in agency funds	(487,494)	(953,609)
Net Cash from Financing Activities	<u>2,748,789</u>	<u>165,613</u>
Net Change in Cash and Cash Equivalents	278,229	(278,838)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>958,952</u>	<u>1,237,790</u>
End of year	<u>\$ 1,237,181</u>	<u>\$ 958,952</u>

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

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 ("IRC"). 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 IRC.

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, 2021 and 2020

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 unitrusts (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.

Revenue Recognition

Other revenue is primarily generated from administrative fees for the Agency Funds, 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.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

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 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 fair value of each fund to the total fair 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, 2021 and 2020

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.

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 consisted of special event payments received for the Women and Girls Fund annual fundraising event which was originally scheduled for April 2020 and occurred in April 2021 due to the COVID- 19 pandemic. There was no deferred revenue as of June 30, 2021.

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 \$102,000 and \$330,277 in 2021 and \$52,000 and \$351,094 in 2020.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

2. Significant Accounting Policies (*continued*)

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, 2021 and 2020.

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, 2021 will be paid within the next 12 months.

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.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

2. Significant Accounting Policies *(continued)*

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 2018.

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, 2021.

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.

4. Earned Income

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

	<u>2021</u>	<u>2020</u>
Administrative fees	\$ 103,927	\$ 93,689
Workshop registration fees	35,644	43,936
Special event revenue	6,925	35,678
Advisory fee	<u>37,000</u>	<u>16,500</u>
	<u>\$ 183,496</u>	<u>\$ 189,803</u>

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

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:

Description	2021			Total
	Level 1	Level 2	Level 3	
Cash equivalents	\$ 12,420,803	\$ -	\$ -	\$ 12,420,803
Equity securities	19,758,262	-	-	19,758,262
Equity mutual funds	19,742,996	-	-	19,742,996
Fixed income mutual funds	21,530,911	-	-	21,530,911
Corporate bonds	-	1,211,381	-	1,211,381
Alternative investments (1)	-	-	-	183,174,615
Total Investments at Fair Value	<u>\$ 73,452,972</u>	<u>\$ 1,211,381</u>	<u>\$ -</u>	257,838,968
Certificates of deposit				4,764,597
Total Investments				<u>\$ 262,603,565</u>

Description	2020			Total
	Level 1	Level 2	Level 3	
Cash equivalents	\$ 10,834,145	\$ -	\$ -	\$ 10,834,145
Equity securities	13,632,207	-	-	13,632,207
Equity mutual funds	27,870,805	-	-	27,870,805
Fixed income mutual funds	20,544,117	-	-	20,544,117
Corporate bonds	-	110,449	-	110,449
Alternative investments (1)	-	-	-	134,658,738
Total Investments at Fair Value	<u>\$ 72,881,274</u>	<u>\$ 110,449</u>	<u>\$ -</u>	207,650,461
Certificates of deposit				4,756,655
Total Investments				<u>\$ 212,407,116</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.

The classification and leveling for an investment as of June 30, 2020 has changed as a result of additional information being provided. The Community Foundation has reclassified \$14,723,342 of investments previously categorized as Equity mutual funds to Alternative investments.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements June 30, 2021 and 2020

5. Investments and Investment Return *(continued)*

Information regarding alternative investments measured at NAV using the practical expedient at June 30, 2021 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
U.S and Non-U.S. Equity (see "a" below)	\$ 90,067,509	\$ -	Monthly	10-30 days
Hedge funds (see "b" below)	39,554,940	-	Monthly - 3 years	30-90 days
Global Fixed Income (see "c" below)	6,915,840	-	Daily	15 days
Liquid real assets (see "d" below)	12,086,227		Daily - Monthly	3-30 days
Private Markets (see "e" below)	34,550,099	23,789,911	Illiquid	Illiquid
	<u>\$ 183,174,615</u>	<u>\$ 23,789,911</u>		

- (a) This category includes investments in entities seeking long-term growth of capital through investments in professionally managed, liquid, equity-based portfolios. Investments are in options, common stocks and preferred stocks of U.S. and non-U.S. companies.
- (b) This category primarily includes equity investments, either long or short, in marketable securities and publicly traded global equities. Several of the funds in this category invest in fixed income assets, interest rates and currencies, both long and short. One fund has a three-year redemption frequency.
- (c) This category includes investments in entities that employ systemic global macro trading strategies to achieve returns in global fixed income and other securities.
- (d) This category includes investments in real assets through the purchase of liquid securities. The assets act as a placeholder for unfunded commitments to private real asset/real estate while providing the portfolio a desired level of real asset investments.
- (e) This category includes investments in equity capital through firms making underlying investments in specific companies not quoted on a public exchange, private debt and illiquid real assets including real estate and infrastructure. Private market investments are made with a long-term perspective of nine to twelve years and are expected to earn an illiquidity premium over the life of the investment.

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.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

5. Investments and Investment Return (continued)

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

	2021	2020
Realized gains, net	\$ 12,030,968	\$ 9,087,480
Unrealized (losses) gains, net	40,357,391	(8,424,351)
Interest and dividends	1,133,607	2,329,898
	53,521,966	2,993,027
Less investment expenses	(400,937)	(1,474,477)
	\$ 53,121,029	\$ 1,518,550

6. 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,

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 1,237,181	\$ 958,952
Contributions and other receivables	30,236	41,677
Investments	3,324,285	2,393,160
Endowment assets available for expenditure in FY2021 and FY2020	5,291,157	5,291,157
Financial asset available to meet general expenditures over the next twelve months	\$ 9,882,859	\$ 8,684,946

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, 2021 and 2020, the Community Foundation's governing board has designated \$3,966,680 and \$3,525,527 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.

7. Paycheck Protection Program Loan

On April 22, 2020, the Community Foundation received a Paycheck Protection Program ("PPP") loan for \$529,300, from People's United Bank. The loan and interest totaling \$532,737 were forgiven on December 22, 2020.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

7. Paycheck Protection Program Loan (*continued*)

On March 15, 2021, the Community Foundation received a second PPP loan in the amount of \$529,352, from People's United Bank, under Second Draw provisions of the PPP as authorized by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the "Economic Aid Act"). The Second Draw provisions of the Economic Aid Act provide for loans to qualifying entities for amounts up to 2.5 to 3.5 times their 2019 or 2020 average monthly payroll expenses. The Second Draw PPP loan bears an interest rate of 1% per annum. All or a portion of the Second Draw PPP loan principal and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") as amended by the Economic Aid Act, over a period between eight to twenty-four weeks from the date the Second Draw PPP loan proceeds are received (the "Second Draw Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries above a certain threshold during the Second Draw Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the Second Draw PPP Loan, if any, is payable within five years from the date of the PPP loan with a deferral of payments of principal or interest until the amount of loan forgiveness is approved by the Small Business Administration. If the Community Foundation does not apply for forgiveness, payments begin approximately 16 months after the loan date. The outstanding balance is due in five years on March 15, 2026.

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.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

8. Endowment (continued)

Endowment Net Assets and Changes for the Fiscal Year Ended June 30, 2021:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,525,527	\$ 197,332,189	\$ 200,857,716
Investment return, net of expenses	519,755	52,469,356	52,989,111
Appropriation of endowment assets for expenditure	(809,561)	(31,864,188)	(32,673,749)
Contributions	726,084	25,995,304	26,721,388
Change in value of split interest agreements	-	4,262	4,262
Other income	<u>4,875</u>	<u>-</u>	<u>4,875</u>
Endowment net assets, end of year	<u>\$ 3,966,680</u>	<u>\$ 243,936,923</u>	<u>\$ 247,903,603</u>

Endowment Net Assets and Changes for the Fiscal Year Ended June 30, 2020:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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	<u>-</u>	<u>7,373</u>	<u>7,373</u>
Endowment net assets, end of year	<u>\$ 3,525,527</u>	<u>\$ 197,332,189</u>	<u>\$ 200,857,716</u>

Description of amounts classified as net assets with donor restrictions as of June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Net assets with donor restrictions:		
Endowment funds	\$ 243,905,861	\$ 197,305,389
Split-interest agreements	<u>31,062</u>	<u>26,800</u>
Total net assets with donor restriction	<u>\$ 243,936,923</u>	<u>\$ 197,332,189</u>

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

8. Endowment (*continued*)

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 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, 2021 and 2020, the Community Foundation contributions totaled \$154,819 and \$143,652. Employees may elect to make deferred voluntary contributions to the 403(b) thrift plan.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

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, 2021 are payable as follows:

2022	\$	255,239
2023		260,344
2024		265,551
2025		270,862
2026		276,279
Thereafter		<u>837,842</u>
	\$	<u>2,166,117</u>

For the years ended June 30, 2021 and 2020, office rental expense was \$229,727 and \$279,900.

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.

11. Impact of COVID-19

During the year ended June 30, 2021, the pandemic did not have an adverse impact on the Community Foundation's operations, ability to raise contributions, and overall financial results. In continued efforts to strengthen its financial position and maintain financial liquidity, as described in Note 7, the Community Foundation applied for and received loan forgiveness for the first round of PPP lending that was obtained in fiscal year 2020 and received a second PPP loan of \$529,352 from People's Bank. In addition, the Community Foundation continues to closely monitor its investment portfolio.

Given the ongoing 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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