

**THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN
AND AFFILIATE**

COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE

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Independent Auditors' Report

To the Trustees Committee and Board of Directors
The Community Foundation for Greater New Haven and Affiliate

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the combined financial statements of The Community Foundation for Greater New Haven and Affiliate (the Community Foundation), which comprise the combined statements of financial position as of December 31, 2025 and 2024, and the related combined statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of the Community Foundation as of December 31, 2025 and 2024, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Community Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Community Foundation's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Community Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Community Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2026 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Shelton, Connecticut
March 24, 2026

**THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024**

| | <u>2025</u> | <u>2024</u> |
|--|------------------------------|------------------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 3,409,494 | \$ 28,382,135 |
| Investments at Market Value - Component Funds | 538,818,735 | 456,327,529 |
| Investments at Market Value - Organization Funds | 151,709,057 | 165,686,445 |
| Investment in Real Estate | <u>2,722,076</u> | <u>2,722,076</u> |
| Total Investments | 696,659,362 | 653,118,185 |
| Mission Related Investments | 8,635,021 | 8,621,834 |
| Contributions Receivable | 858,699 | 1,900,106 |
| Grants Receivable | 913,894 | 952,278 |
| Split-Interest Agreements | 1,508,499 | 1,963,460 |
| Right-of-Use Asset - Operating Lease | 132,947 | 150,910 |
| Other Assets, Net | 85,429 | 25,405 |
| Capital Assets | <u>282,560</u> | <u>264,120</u> |
| Total Assets | <u>\$ 709,076,411</u> | <u>\$ 666,996,298</u> |
| LIABILITIES AND NET ASSETS | | |
| <u>Liabilities</u> | | |
| Accounts Payable and Accrued Expenses | \$ 1,082,294 | \$ 1,711,271 |
| Note Payable | - | 5,287,272 |
| Grants Payable | 615,769 | 628,244 |
| Organization Funds | 151,709,057 | 165,686,445 |
| Mission Related Investment EQ2 | 2,839,710 | 2,864,189 |
| Liabilities Under Split-Interest Agreements | 396,723 | 356,090 |
| Operating Lease Liability | <u>133,597</u> | <u>152,410</u> |
| Total Liabilities | <u>156,777,150</u> | <u>176,685,921</u> |
| <u>Net Assets</u> | | |
| Without Donor Restriction | 550,188,451 | 488,455,103 |
| With Donor Restriction | <u>2,110,810</u> | <u>1,855,274</u> |
| Total Net Assets | <u>552,299,261</u> | <u>490,310,377</u> |
| Total Liabilities and Net Assets | <u>\$ 709,076,411</u> | <u>\$ 666,996,298</u> |

See notes to combined financial statements.

**THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE
COMBINED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2025 AND 2024**

| | 2025 | | | 2024 | | |
|--|------------------------------|----------------------------|------------------------------|------------------------------|----------------------------|------------------------------|
| | Without Donor Restriction | With Donor Restriction | Total | Without Donor Restriction | With Donor Restriction | Total |
| Revenue, Gains and Other Support | | | | | | |
| Contributions | \$ 41,577,688 | \$ 25,365 | \$ 41,603,053 | \$ 29,311,537 | \$ 217,381 | \$ 29,528,918 |
| Less Transfers to Organization Funds | (5,972,339) | - | (5,972,339) | (11,365,174) | - | (11,365,174) |
| Net Contributions | 35,605,349 | 25,365 | 35,630,714 | 17,946,363 | 217,381 | 18,163,744 |
| Grant Revenue | 3,501,842 | - | 3,501,842 | 3,801,306 | - | 3,801,306 |
| Investment Return, Net | 60,855,431 | - | 60,855,431 | 46,107,882 | - | 46,107,882 |
| Change in Value of Split-Interest Agreements, Net | - | 230,171 | 230,171 | - | 221,414 | 221,414 |
| Total Revenue, Gains and Other Support | <u>99,962,622</u> | <u>255,536</u> | <u>100,218,158</u> | <u>67,855,551</u> | <u>438,795</u> | <u>68,294,346</u> |
| Expenses | | | | | | |
| Program Services: | | | | | | |
| Grants and Distributions Approved, Net | 62,214,230 | - | 62,214,230 | 127,264,326 | - | 127,264,326 |
| Grants for Program Management and Direct Grant Activities | 4,252,391 | - | 4,252,391 | 4,309,861 | - | 4,309,861 |
| Total Grant Expense | 66,466,621 | - | 66,466,621 | 131,574,187 | - | 131,574,187 |
| Less Distributions from Organization Funds | (33,494,446) | - | (33,494,446) | (97,939,739) | - | (97,939,739) |
| Net Grant Expense | <u>32,972,175</u> | <u>-</u> | <u>32,972,175</u> | <u>33,634,448</u> | <u>-</u> | <u>33,634,448</u> |
| Supporting Services: | | | | | | |
| Management, Leadership and Operations | 3,190,076 | - | 3,190,076 | 3,011,143 | - | 3,011,143 |
| Development, Donor Services and Fund Stewardship | 1,653,147 | - | 1,653,147 | 1,529,617 | - | 1,529,617 |
| Total Administrative Expenses | <u>4,843,223</u> | <u>-</u> | <u>4,843,223</u> | <u>4,540,760</u> | <u>-</u> | <u>4,540,760</u> |
| Interest Expense | 413,876 | - | 413,876 | 1,295,521 | - | 1,295,521 |
| Total Expenses | 38,229,274 | - | 38,229,274 | 39,470,729 | - | 39,470,729 |
| Change in Net Assets | 61,733,348 | 255,536 | 61,988,884 | 28,384,822 | 438,795 | 28,823,617 |
| Net Assets - Beginning of Year | 488,455,103 | 1,855,274 | 490,310,377 | 460,070,281 | 1,416,479 | 461,486,760 |
| Net Assets - End of Year | <u>\$ 550,188,451</u> | <u>\$ 2,110,810</u> | <u>\$ 552,299,261</u> | <u>\$ 488,455,103</u> | <u>\$ 1,855,274</u> | <u>\$ 490,310,377</u> |

See notes to combined financial statements.

**THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

| | <u>2025</u> | <u>2024</u> |
|--|----------------------------|-----------------------------|
| Cash Flows from Operating Activities | | |
| Change in Net Assets | \$ 61,988,884 | \$ 28,823,617 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities: | | |
| Depreciation and Amortization | 102,140 | 33,578 |
| Realized and Unrealized Investment Gains, Net | (54,950,252) | (44,828,138) |
| Noncash Operating Lease Expense | 17,963 | 16,017 |
| Changes in Assets and Liabilities: | | |
| Contributions Receivable | 1,041,407 | (479,501) |
| Grants Receivable | 38,384 | (734,064) |
| Split-Interest Agreements | 454,961 | (895,038) |
| Other Assets | (91,765) | 93,783 |
| Accounts Payable and Accrued Expenses | (628,977) | 672,751 |
| Grants Payable | (12,475) | (61,179) |
| Organization Funds | (13,977,388) | 5,859,479 |
| MRI Investment Funds Interest Payable | (24,479) | 64,189 |
| Liabilities Under Split-Interest Agreements | 40,633 | 22,582 |
| Operating Lease Liability | (18,813) | (14,517) |
| Total Adjustments | <u>(68,008,661)</u> | <u>(40,250,058)</u> |
| Net Cash Used in Operating Activities | <u>(6,019,777)</u> | <u>(11,426,441)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Sales of Investments | 404,857,401 | 266,957,066 |
| Purchases of Investments | (418,434,154) | (225,335,133) |
| Purchases of Furniture and Equipment | (88,839) | (253,498) |
| Net Cash (Used in) Provided by Investing Activities | <u>(13,665,592)</u> | <u>41,368,435</u> |
| Cash Flows from Financing Activities | | |
| Repayments on MRI Line of Credit | - | (39,616,446) |
| Repayments on Line of Credit, Net | - | (2,118,517) |
| Repayments of Note Payable | (5,287,272) | - |
| Borrowings on Long-Term Debt | - | 2,800,000 |
| Net Cash Used in Financing Activities | <u>(5,287,272)</u> | <u>(38,934,963)</u> |
| Net Decrease in Cash and Cash Equivalents | (24,972,641) | (8,992,969) |
| Cash and Cash Equivalents - Beginning of Year | <u>28,382,135</u> | <u>37,375,104</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 3,409,494</u> | <u>\$ 28,382,135</u> |
| Supplemental Cash Flow Information | | |
| Cash Paid During the Year for Interest | <u>\$ 413,876</u> | <u>\$ 1,295,521</u> |

During the year ended December 31, 2024, the Foundation settled the \$77,819,052 MRI investment fund liability through the transfer of the Investments at Market Value - MRI Investment Funds to an unrelated charitable organization.

See notes to combined financial statements.

**THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2025**

| | Program Services | | | Supporting Services | | | | |
|---|---------------------------------------|--------------------------------|----------------------------------|------------------------------|---|---|---------------------------------|---------------------------------|
| | Grants and Community Leadership | Government Grant Expense | Other Program Expenditures | Total Program Services | Management, Leadership and Operations | Development Donor Services, and Fund Stewardship | Total Supporting Services | Total Foundation Services |
| Grants to Community | \$ 21,592,029 | \$ 923,500 | \$ - | \$ 22,515,529 | \$ - | \$ - | \$ - | \$ 22,515,529 |
| Salaries and Benefits | 2,272,348 | 759,649 | 3,295,049 | 6,327,046 | 2,485,478 | 1,283,094 | 3,768,572 | 10,095,618 |
| Consultants | 322,835 | 10,000 | 43,904 | 376,739 | 33,951 | 17,226 | 51,177 | 427,916 |
| Contracted Services | - | 818,947 | - | 818,947 | - | - | - | 818,947 |
| Convenings and Meetings | 570,738 | 95,140 | 125,186 | 791,064 | 91,660 | 48,315 | 139,975 | 931,039 |
| Depreciation and Amortization | 37,630 | - | 29,379 | 67,009 | 23,484 | 11,647 | 35,131 | 102,140 |
| Dues and Fees | 64,394 | 6,812 | 59,630 | 130,836 | 46,658 | 23,482 | 70,140 | 200,976 |
| General | 128,065 | 210,680 | - | 338,745 | - | - | - | 338,745 |
| Information Management, Technology and Maintenance | 156,690 | 131,306 | 190,777 | 478,773 | 144,590 | 74,396 | 218,986 | 697,759 |
| Insurance | 42,333 | - | 49,736 | 92,069 | 37,645 | 19,387 | 57,032 | 149,101 |
| Marketing and Outreach | 155,829 | 36,122 | 102,526 | 294,477 | 68,869 | 38,602 | 107,471 | 401,948 |
| Occupancy | 94,616 | - | 128,007 | 222,623 | 91,973 | 49,131 | 141,104 | 363,727 |
| Professional Development | 42,455 | 52,900 | 46,441 | 141,796 | 34,669 | 18,028 | 52,697 | 194,493 |
| Professional Fees | 64,627 | 2,500 | 71,649 | 138,776 | 49,428 | 27,179 | 76,607 | 215,383 |
| Supplies | 59,750 | 23,163 | 70,163 | 153,076 | 53,130 | 27,354 | 80,484 | 233,560 |
| Travel | 10,152 | 13,954 | 13,875 | 37,981 | 11,157 | 5,511 | 16,668 | 54,649 |
| Utilities | 20,131 | 489 | 26,069 | 46,689 | 17,384 | 9,795 | 27,179 | 73,868 |
| Total Functional Expenses | <u>\$ 25,634,622</u> | <u>\$ 3,085,162</u> | <u>\$ 4,252,391</u> | <u>\$ 32,972,175</u> | <u>\$ 3,190,076</u> | <u>\$ 1,653,147</u> | <u>\$ 4,843,223</u> | <u>\$ 37,815,398</u> |

See notes to combined financial statements.

**THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024**

| | Program Services | | | Supporting Services | | | | Total Foundation Services |
|---|---------------------------------------|--------------------------------|----------------------------------|------------------------------|---|---|---------------------------------|---------------------------------|
| | Grants and Community Leadership | Government Grant Expense | Other Program Expenditures | Total Program Services | Management, Leadership and Operations | Development Donor Services, and Fund Stewardship | Total Supporting Services | |
| Grants to Community | \$ 22,828,259 | \$ 772,500 | \$ - | \$ 23,600,759 | \$ - | \$ - | \$ - | \$ 23,600,759 |
| Salaries and Benefits | 2,108,294 | 727,384 | 3,325,682 | 6,161,360 | 2,319,231 | 1,179,887 | 3,499,118 | 9,660,478 |
| Consultants | 477,823 | - | 71,554 | 549,377 | 54,472 | 25,847 | 80,319 | 629,696 |
| Contracted Services | - | 947,923 | - | 947,923 | - | - | - | 947,923 |
| Convenings and Meetings | 420,170 | 65,178 | 131,240 | 616,588 | 92,134 | 46,623 | 138,757 | 755,345 |
| Depreciation and Amortization | 16,919 | - | 8,379 | 25,298 | 5,356 | 2,924 | 8,280 | 33,578 |
| Dues and Fees | 60,774 | 15,505 | 56,776 | 133,055 | 41,451 | 20,330 | 61,781 | 194,836 |
| General | 170,066 | 147,433 | 72,213 | 389,712 | 54,948 | 26,082 | 81,030 | 470,742 |
| Information Management, Technology and Maintenance | 123,558 | 381 | 162,080 | 286,019 | 121,244 | 58,332 | 179,576 | 465,595 |
| Insurance | 22,896 | - | 31,126 | 54,022 | 21,416 | 11,014 | 32,430 | 86,452 |
| Marketing and Outreach | 69,768 | 59,890 | 88,109 | 217,767 | 53,699 | 30,478 | 84,177 | 301,944 |
| Occupancy | 82,215 | - | 120,659 | 202,874 | 83,451 | 42,738 | 126,189 | 329,063 |
| Professional Development | 16,641 | 2,646 | 24,194 | 43,481 | 16,838 | 8,580 | 25,418 | 68,899 |
| Professional Fees | 77,369 | 2,500 | 133,700 | 213,569 | 94,441 | 47,555 | 141,996 | 355,565 |
| Supplies | 67,369 | 27,497 | 63,502 | 158,368 | 42,678 | 22,368 | 65,046 | 223,414 |
| Travel | 3,572 | 3,455 | 3,457 | 10,484 | 2,635 | 1,249 | 3,884 | 14,368 |
| Utilities | 4,705 | 1,897 | 17,190 | 23,792 | 7,149 | 5,610 | 12,759 | 36,551 |
| Total Functional Expenses | \$ 26,550,398 | \$ 2,774,189 | \$ 4,309,861 | \$ 33,634,448 | \$ 3,011,143 | \$ 1,529,617 | \$ 4,540,760 | \$ 38,175,208 |

See notes to combined financial statements.

THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2025 and 2024

Note 1 - **Organization and Basis of Presentation:**

The Community Foundation for Greater New Haven (The Foundation), was born from a visionary commitment to create a permanent charitable endowment for the benefit of the Greater New Haven community. Formed under a Resolution and Declaration of Trust as amended through April 2000 (the R&D), the R&D provides for the following Trustee Banks: Wells Fargo Bank, Bank of America, Key Bank and M&T Bank as of December 31, 2025 and 2024.

As The Community Foundation approaches its centennial anniversary, it remains one of the oldest and largest community foundations in the United States. Its enduring mission is to build a community of givers, ensuring that the philanthropic intent of donors is honored and adapted across generations to meet the broad and evolving needs of the region.

To further its mission, The Community Foundation for Greater New Haven, Inc. (The Corporation) was organized in 1982 as a separate charitable entity to evolve the organization's engagement and impact. The Corporation is integrated with the public charity, providing a modern framework for collaborative philanthropy and responsive community leadership. In 2004, The Valley Community Foundation, Inc. (The Affiliate) was organized to specifically serve the towns of Ansonia, Derby, Shelton, Seymour, and Oxford, Connecticut.

While The Affiliate originally operated as a "supporting organization" under Internal Revenue Code (IRC) Section 509(a)(3), it transitioned in 2014 to an independent 501(c)(3) public charity to optimize its federal public support status. Despite this election, The Community Foundation and the Affiliate maintain a deep strategic partnership. Under an affiliation agreement renewed in May 2018 for a ten-year term, The Community Foundation reports financial results on a combined basis. Both entities continue to file separate Internal Revenue Service (IRS) Form 990 informational returns.

The Corporation registered as a Connecticut Investment Adviser in 2014 as part of its ongoing efforts to provide local nonprofits with institutional-grade management of their assets and ensure they are governed by industry best practices and rigorous fiduciary standards. The Corporation advises both its permanent assets including its component funds that have come to the Corporation through irrevocable gifts, as well as other non-permanent charitable assets that have come to the Corporation through revocable transfer by charitable institutions wishing to outsource the management of their investments (the Organization Funds). The primary investment advisory service that the Corporation provides to Organization Funds is the selection and monitoring of unaffiliated asset managers retained under a Commingled Fund and further described in the Corporation's Commingled Fund Information Memorandum (Information Memorandum), operating under a long-term asset allocation model, which processes and requirements are set forth in an investment management agreement between the Organization Fund and The Corporation and the Information Memorandum. See Note 21 below for additional information on Organization Funds.

In 2017, the Corporation expanded its philanthropic offerings by forming a wholly-owned, tax-exempt The Community Foundation Mission Investments Company, LLC (The Mission Investments Subsidiary) (a special-purpose LLC). This entity allows The Community Foundation to deploy capital more dynamically through "mission-related investments" that generate both social and financial returns. The Community Foundation's management team leads the subsidiary, and its Board of Managers is appointed by The Community Foundation.

The accompanying combined financial statements include the consolidated accounts of The Foundation, The Corporation, and The Mission Investments Subsidiary. Together, The Foundation, The Corporation, The Mission Investments Subsidiary, and the Affiliate are included in the combined financial statements and are referred to as The Community Foundation herein.

All material intercompany balances and transactions have been eliminated from The Community Foundation's combined financial statements.

The Community Foundation and The Affiliate qualify as public charities under IRC Section 170(b)(1)(A)(vi) and are exempt from federal income and state taxes under Section 501(c)(3) of the IRC and Section 12-244 of the Connecticut General Statutes. The Corporation and the Mission Investments Subsidiary are treated as disregarded entities for purposes of taxation.

Note 2 - **Summary of Significant Accounting Policies:**

a. Basis of Accounting

The Community Foundation prepares its combined financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

b. Financial Statement Presentation

The Community Foundation measures aggregate net assets based on the absence or existence of donor-imposed restrictions. The two categories of net assets for presentation of The Community Foundation's combined financial statements are as follows: net assets with donor restriction and net assets without donor restriction.

Financial Accounting Standards Board (FASB) Accounting Standards Codification 958-205: *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, sets forth the net asset classifications of donor-restricted endowment funds in accordance with the State of Connecticut's enacted version of the Uniform Prudent Management of Institutional Funds Act (CUPMIFA). This standard also requires other disclosures concerning an organization's charitable assets including whether or not the organization is subject to CUPMIFA. Although CUPMIFA is not germane, The Community Foundation has and will continue to provide additional disclosures as described below for the complete fulfillment of donor intent. Further, The Community Foundation will continue its stewardship responsibilities by internally accounting for and reporting on all net assets in accordance with each donor's original intent as provided for in the underlying gift instrument that established the fund, as presented in Note 3a. The impact of CUPMIFA's adoption was negligible on the presentation of The Community Foundation's combined financial statements given the governing documents' provision for variance power - the unilateral power to redirect the use of a contribution for another charitable purpose. The criteria and circumstances under which the Board of Directors of The Community Foundation would exercise its variance power responsibility are prescribed within the R&D.

The Community Foundation's combined financial statements classify substantially all net assets as without donor restriction; however, as noted above, all recordkeeping for internal management and all external reporting retain the original donor intent and direction for every charitable fund held within The Community Foundation. Net assets with donor

restriction consist of irrevocable charitable trusts, lead trusts and pooled income funds, which are all classified as split-interest agreements, as defined in Note 2i, below. As the community's perpetual endowment organization, The Community Foundation's spending policies and philosophy since their creation in 1993 and as prescribed in the R&D, as well as the long-term investment management policies and procedures both of which are further described in Note 3b, were designed to function as integrated processes and are administered to reflect the following facts and circumstances, as also described in CUPMIFA, for prudent stewards of charitable assets, including:

- 1) The duration and preservation of a fund;
- 2) The purpose of the organization and the donor designations thereto;
- 3) General economic conditions;
- 4) The possible effects of inflation and deflation;
- 5) The expected total return of the charitable assets;
- 6) Other resources of the organization;
- 7) The investment policies.

The Community Foundation, in accordance with the above, would permit spending distributions from funds that were deemed "under water" subject to a complete review of the facts and circumstances pertaining to a fund, the degree to which such fund is below its historic gift value, and at all times subject to the relevant laws and regulations and the stated intentions of the donor.

c. Cash and Cash Equivalents

Cash and cash equivalents include currency and interest-bearing short-term investments with an average maturity of three months or less.

The Community Foundation maintains deposits that may, at times, be in excess of the financial institution's insurance limits. The Community Foundation invests available cash and cash equivalents with high-credit quality institutions and believes that such deposits are not subject to significant credit risk.

d. Investments

Investments are carried at fair value, as discussed in Note 2e below. Investments include alternative investments, which are principally absolute return strategies and private investments including real assets, which includes strategies such as private equity, real estate, venture capital and natural resources. Because certain alternative investments are not immediately marketable given the nature of the underlying strategies and the terms of the investment's governing agreement, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that may be received if a ready market for the investments had been in existence, and the difference could be material. Fair value of alternative investments in limited partnerships are determined by the general partner to be at fair value pursuant to GAAP's standard referred to as *Fair Value Measurements*. Pertinent factors, including the general partners' internal financial statements and independently audited financial statements, are considered and reviewed and discussed by management, in consultation with its independent advisory firm.

e. Fair Value of Financial Instruments

The Community Foundation is required to measure the fair value of its assets and liabilities under a three-level hierarchy. In addition, The Community Foundation adopted FASB Accounting Standards Update (ASU) 2019-12, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2019-12), as issued by the Financial Accounting Standards Board. In summary, ASU 2019-12 is a practical expedient to measure the fair value of certain investments that utilize a net asset value rather than categorizing under the fair value hierarchy. For those investments that do not utilize a net asset value methodology (or its equivalent), The Community Foundation will continue to measure the fair value under the three-level hierarchy, as follows:

Level 1: Observable inputs from quoted market prices for identical assets or liabilities to which The Community Foundation has independent access at the measurement date.

Level 2: Observable inputs derived from direct quoted market prices or indices for the asset or liability, or can be corroborated by observable inputs and market data, and The Community Foundation has the ability to redeem the asset in the near term (within 90 days) subsequent to the measurement date.

Level 3: Prices, which may be based on an underlying quoted market price, observable input and/or market data contained in Level 1 and Level 2, which also requires significant judgment on observable inputs by the investee as to the net asset value per share or unit of The Community Foundation's ownership interest in the partners' capital, and where redemption would be available in a period of more than 90 days from the measurement date. Valuation methodologies include, but are not limited to, discounted cash flow analysis, comparable asset analysis, third-party appraisals, third-party pricing services and other applicable indices.

Where:

Observable inputs reflect the market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and from independent sources that are actively involved in the relevant markets, and include assumptions made in pricing and valuations of the asset or liability that are developed from sources independent of The Community Foundation; and

Unobservable inputs reflect The Community Foundation's own assumptions about the fair value assumptions made by the investees' use in pricing the asset or liability developed based on the best information available. The Community Foundation has never used unobservable inputs for determining fair value of any of its investments.

The fair value of The Community Foundation's investments as of December 31, 2025 is as follows:

| Description | Total | Level 1 | Level 2 | Level 3 | Investments Valued at NAV (a) |
|--|-----------------------|-----------------------|----------------------|---------------------|--------------------------------------|
| Short-term investments | \$ 19,670,503 | \$ 19,670,503 | \$ - | \$ - | \$ - |
| Fixed income | 210,523,681 | 151,274,360 | 19,119,897 | - | 40,129,424 |
| Equities: | | | | | |
| International | 66,895,588 | 19,138,677 | - | - | 47,756,911 |
| Domestic | 169,984,289 | 24,931,201 | - | - | 145,053,088 |
| Alternatives: | | | | | |
| Absolute return | 99,118,787 | - | - | - | 99,118,787 |
| Private real assets | 45,800,333 | - | - | - | 45,800,333 |
| Private equity | 78,534,611 | - | - | - | 78,534,611 |
| Investments as of December 31, 2025 | 690,527,792 | 215,014,741 | 19,119,897 | - | 456,393,154 |
| Split-interest agreements | 1,508,499 | - | - | 1,508,499 | - |
| Total assets at fair value as of December 31, 2025 | \$ <u>692,036,291</u> | \$ <u>215,014,741</u> | \$ <u>19,119,897</u> | \$ <u>1,508,499</u> | \$ <u>456,393,154</u> |
| Percent of Total | 100% | 31.1% | 2.8% | 0.2% | 65.9% |

The fair value of The Community Foundation's investments as of December 31, 2024 is as follows:

| Description | Total | Level 1 | Level 2 | Level 3 | Investments Valued at NAV (a) |
|--|-----------------------|----------------------|----------------------|---------------------|--------------------------------------|
| Short-term investments | \$ 4,726,828 | \$ 4,726,828 | \$ - | \$ - | \$ - |
| Fixed income | 120,402,760 | 55,877,044 | 20,692,048 | - | 43,833,668 |
| Equities: | | | | | |
| International | 94,541,935 | 21,122,047 | - | - | 73,419,888 |
| Domestic | 153,558,996 | 9,732,876 | - | - | 143,826,120 |
| Alternatives: | | | | | |
| Absolute return | 115,781,133 | - | - | - | 115,781,133 |
| Private real assets | 58,143,481 | - | - | - | 58,143,481 |
| Private equity | 74,858,841 | - | - | - | 74,858,841 |
| Investments as of December 31, 2024 | 622,013,974 | 91,458,795 | 20,692,048 | - | 509,863,131 |
| Split-interest agreements | 1,963,460 | - | - | 1,963,460 | - |
| Total assets at fair value as of December 31, 2024 | \$ <u>623,977,434</u> | \$ <u>91,458,795</u> | \$ <u>20,692,048</u> | \$ <u>1,963,460</u> | \$ <u>509,863,131</u> |
| Percent of Total | 100% | 14.7% | 3.3% | 0.3% | 81.7% |

a. Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the combined statements of financial position.

There were no transfers between levels of investments during the years ended December 31, 2025 and 2024.

The following tables disclose certain additional information as of December 31, 2025 and 2024 related to The Community Foundation's investments that report fair value based on net asset value per share and are not directly traded in an active market, although such net asset values may be based on underlying securities that are traded in and quoted in an active market:

December 31, 2025

| Description | Fair Value | Unfunded Commitments | Redemption Terms | Redemption Restrictions |
|---|-----------------------|----------------------|---------------------------------------|-------------------------|
| Investments valued at Net Asset Value: | | | | |
| Fixed income | \$ 40,129,424 | \$ None | Annually | N/A |
| International equity | 47,756,911 | None | Monthly to 3-year lock-up period | 5-90 days' notice |
| Domestic equity | 145,053,088 | None | Daily to quarterly | 0-60 days' notice |
| Absolute return | 99,118,787 | None | Annually with a 1-year lock-up period | 60 days' written notice |
| Real assets | 45,800,333 | 8,251,917 | More than 3 years | N/A |
| Private equity | <u>78,534,611</u> | <u>13,868,850</u> | More than 3 years | N/A |
| Total Net Asset Value | <u>\$ 456,393,154</u> | <u>\$ 22,120,767</u> | | |

December 31, 2024

| Description | Fair Value | Unfunded Commitments | Redemption Terms | Redemption Restrictions |
|---|-----------------------|----------------------|---------------------------------------|-------------------------|
| Investments valued at Net Asset Value: | | | | |
| Fixed income | \$ 43,833,668 | \$ None | Annually | N/A |
| International equity | 73,419,888 | None | Monthly to 3-year lock-up period | 5-90 days' notice |
| Domestic equity | 143,826,120 | None | Daily to quarterly | 0-60 days' notice |
| Absolute return | 115,781,133 | None | Annually with a 1-year lock-up period | 60 days' written notice |
| Real assets | 58,143,481 | 7,058,256 | More than 3 years | N/A |
| Private equity | <u>74,858,841</u> | <u>12,639,332</u> | More than 3 years | N/A |
| Total Net Asset Value | <u>\$ 509,863,131</u> | <u>\$ 19,697,588</u> | | |

The Community Foundation assesses and reports on the liquidity of all investments on a monthly basis to ensure that it has access to sufficient resources necessary for its current and future operational activities. Overall, The Community Foundation has access to approximately thirty two percent (31.5 %) of the fair value of its investments on a monthly basis, and approximately fifty four percent (53.9%) of the fair value of its investments on a quarterly basis.

Assets Measured at Fair Value on a Recurring Basis Using Significant (Level 3) Inputs: The following is a summary of the changes in the balances of assets measured at fair value using significant (Level 3) inputs for December 31, 2025 and 2024:

| | <u>Split-Interest Agreements</u> |
|--|---|
| Fair value as of December 31, 2023 | \$ 1,068,422 |
| Change in value of split-interest agreements | <u>895,038</u> |
| Fair value as of December 31, 2024 | 1,963,460 |
| Change in value of split-interest agreements | <u>(454,961)</u> |
| Fair value as of December 31, 2025 | <u>\$ 1,508,499</u> |

The Community Foundation’s carrying amounts of cash and cash equivalents, accounts and grants payable and accrued expenses approximate fair value under Level 1. Investments are carried at fair value as presented above. Split-interest agreements are reported at fair value based on the life expectancy of the beneficiary and the net present value of the expected cash flows using a discount rate. Organization funds are carried at fair value based on the underlying investments. Derivative instruments are measured at fair value based on observable inputs. Certain alternative investments use stock indices, swaps, options, convertible securities and foreign currency exchange contracts, which are classified as derivatives. The Community Foundation does not use derivatives for speculative purposes within the parameters provided to the underlying manager under a written agreement, but rather these instruments are used with the objectives of reducing overall portfolio risk.

The Community Foundation’s investments consist of the following types:

Short-term Investments: Investments consist of treasury securities with an average maturity of 120 days or less, checking accounts, and money market instruments with daily liquidity.

Fixed Income: Fixed income investments consist of both domestic and foreign issuances of debt instruments and include both government and corporate holdings. Domestically, The Community Foundation concentrates primarily on U.S. treasuries, including a separate account approach of Treasury Inflation Protected Securities (TIPS). Internationally, the fixed income strategy includes sovereign-issued, local-currency denominated debt holdings and a global fixed income approach that seeks a long-term, value-oriented approach in local-currency debt instruments. Fixed income securities are valued based on yields currently available on comparable securities issuers with similar duration and credit ratings.

Equities: Domestic and international equities, including international emerging market equities, are listed securities traded on public exchanges, at various market capitalizations, and are priced daily by the underlying managers. The Community Foundation accesses both domestic and international equities through institutional-class mutual funds, limited partnerships and separate accounts. Publicly traded domestic and international equities are also accessed through a limited partnership arrangement.

Absolute Return: This strategy involves equity investments, either long or short, in marketable and publicly traded equities. Traditionally, hedge funds purchase stocks that they perceive to be undervalued and sell stocks that they perceive to be overvalued. The research-intensive and quantitative efforts in identifying promising stocks to hold long in a portfolio may also provide short-sale opportunities, and for this reason many directional hedged equity funds often maintain both long and short positions, as employed by The Community Foundation.

Private Real Assets: The Community Foundation’s private real asset investments consist of several fund-of-funds’ commercial, industrial and residential limited partnerships where diversity of property type, region, manager and strategy is a fundamental premise. These investments may also include the purchase, restructure, or origination of loans secured by real property, or secured by interests in such property.

Private Equity: This strategy consists of making equity capital available directly into a limited partnership whereby the underlying investments in the specific companies are not quoted on a public exchange. Private equity consists of qualified investors and institutional funds that make investments directly into private companies or conduct buyouts of public companies. Private equity investments are made with a long-term perspective, or generally about ten to twelve years in duration.

Split-Interest Agreements: Fair value inputs used for split-interest agreements are based on the estimated present value of the future payments to The Community Foundation, which is considered to be the fair value of the assets held in trust.

The Community Foundation believes that the carrying amount of its investments is a reasonable fair value as of December 31, 2025 and 2024.

Net investment activity for the years ended December 31, 2025 and 2024, consisted of the following:

| | <u>2025</u> | <u>2024</u> |
|---|----------------------|----------------------|
| Realized and unrealized gains, net | \$ 68,494,971 | \$ 59,443,129 |
| Interest and dividends | 8,239,081 | 6,319,925 |
| Total portfolio return | <u>76,734,052</u> | <u>65,763,054</u> |
| Less market return – organization funds | (13,544,719) | (14,614,991) |
| Less investment management expenses | <u>(2,333,902)</u> | <u>(5,040,181)</u> |
| Investment return, net | <u>\$ 60,855,431</u> | <u>\$ 46,107,882</u> |

f. Investment in Real Estate

In June 1990, The Foundation and The Corporation relocated their offices to The New Haven Foundation Building (the Building), a five-story, 26,976 square-foot office complex (excluding common and limited common space) on 0.16 acres of land, which was purchased for one dollar per square foot (\$6,986) by the developer from the City of New Haven. The Building is classified and recognized by the IRS as a nonprofit condominium.

Floors four and five are owned and occupied by The Foundation, floor three is owned by The Corporation and occupied by the Foundation, and floors one and two are owned by unrelated nonprofit organizations. Pursuant to the Board of Directors' 1991 resolution, given the unique uses, condominium covenants, occupancy restrictions, and tax status, the Building was accounted for as a mission-related investment, and thus no depreciation has been recognized. Pursuant to that 1991 resolution, and with the agreement of the Foundation's Trustee Banks, the Building would be periodically and independently assessed to determine its current fair carrying value, inclusive of such market restrictions. The Board of Directors requires a periodic valuation through an independent market appraisal not more frequently than every five years. The Building was independently appraised in 2022, and in accordance with the Board of Director's original resolution, the carrying value of the Building approximates the fair value including all improvements thereon.

g. Mission-Related Investments

The Community Foundation, like most community foundations across the nation, is increasingly seeking additional methods to invest the charitable capital entrusted to it through mechanisms and structures other than direct grants or similar distributions to nonprofit organizations. Achieving positive social outcomes and community-level impact through the intentional use of financial assets in innovative business ventures, diverse entrepreneurs, and organizations that inclusively promote opportunity and equity in the region to simultaneously achieve social and financial returns are commonly referred to as Mission-related investing or Impact-investing (together, MRIs). MRIs may take the form of equity, debt, loan guarantees, or other familiar market products or instruments.

In 2017, The Corporation created a separate and wholly-owned and controlled subsidiary to focus solely and exclusively on the evaluation and execution of MRIs. The Mission Investments Subsidiary will perform the requisite due diligence and analyses to deploy the charitable financial assets for investments in local entities, organizations, and businesses, through intermediaries and/or directly, such that an investment will be viewed from a return and mission-impact lens together.

In 2022, The Mission Investments Subsidiary received a grant from the State of Connecticut, Department of Economic and Community Development for \$7.2M over five years to make grants to small businesses and build the infrastructure of the New Haven Equitable Entrepreneurial Ecosystem (NHE3). Subsequently, additional grants were awarded to The Mission Investments Subsidiary from federal, state, local and philanthropic entities.

i. Contributions and Grants

Unconditional contributions are recognized when pledged or received, as applicable, and are available for unrestricted use unless specifically restricted by the donor. Contributions receivable that are expected to be collected in more than one year are discounted to their present value. The Community Foundation reports nongovernmental contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the combined statements of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions upon which they depend are substantially met. The Community Foundation does not recognize conditional promises, and only recognizes unconditional contributions when they become estimable and quantifiable. Contributions receivable as of December 31, 2025 and 2024, in the amounts of \$858,699 and \$1,900,106, respectively, represent unconditional promises to give that are expected to be collected within one fiscal year.

Unconditional grants from the Federal Government and State of Connecticut designated for use in specific activities are recognized in the period when conditions have been met in compliance with the specific grantor's requirements. Grant revenue from State and Federal agencies that are nonreciprocal are treated like contributions.

j. Split-Interest Agreements

Split-interest agreements consist of charitable assets irrevocably transferred for the benefit of The Community Foundation and other 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. The accounting treatment varies depending upon the type of the agreement created and whether The Community Foundation or a third party is the trustee.

The Community Foundation is a party to the following types of split-interest agreements:

Charitable Remainder Trusts and Pooled Income Funds: The Community Foundation is the beneficiary of various charitable remainder trusts and pooled income funds managed by unrelated entities. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiary(ies) over the trust's term. At the end of the trust's term, the remaining assets are available for The Community Foundation's use. The trust is carried at the fair value of the underlying investments. The portion of the trust attributable to the present value of the future benefits to be received by The Community Foundation is recognized in the combined statements of activities as a temporarily restricted contribution in the period the trust is established. On an annual basis, The Community Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The liability is calculated using a discount rate of 4.5% and applicable mortality tables.

Charitable Gift Annuity: The Community Foundation is the beneficiary of a charitable gift annuity whereby assets were transferred to The Community Foundation in exchange for The Community Foundation agreeing to pay a stated dollar amount annually to the designated beneficiary. Upon the death of the beneficiary, the remaining assets are available for The Community Foundation's use. The portion of the assets transferred that is attributable to the present value of the future benefits to be received by The Community Foundation is recognized in the combined statements of activities as a temporarily restricted contribution in the period it is established. On an annual basis, The Community Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The liability is calculated using a discount rate of 4.5% and applicable mortality tables.

k. Leases

The Affiliate is a lessee for office space. The Community Foundation determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The Community Foundation determines if an arrangement conveys the right to use an identified asset and whether The Community Foundation obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Community Foundation recognizes a lease liability and right-of-use (ROU) asset at the commencement date of leases.

ROU Assets: An ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease cost for lease payments is recognized on a straight-line basis over the lease term as lease expense.

Lease Liabilities: A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate in effect at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable; otherwise, the Foundation uses a risk-free discount rate based on U.S. Treasury instruments for comparable lease terms.

i. Capital Assets

Tangible and intangible assets purchased in excess of \$2,500 and with a life of greater than one year are capitalized and are stated at historical cost. Depreciation and amortization is provided on a straight-line basis over the following useful lives:

| | |
|---|------------|
| Furniture, equipment, office betterment | 5-20 years |
| Computer equipment | 3-5 years |
| Recruitment costs | 5 years |

Capital assets at December 31, 2025 and 2024, are as follows:

| | <u>2025</u> | <u>2024</u> |
|---|-------------------|-------------------|
| Capital assets | \$ 1,141,230 | \$ 1,121,000 |
| Accumulated depreciation and amortization | <u>(858,670)</u> | <u>(856,880)</u> |
| Capital assets, net | <u>\$ 282,560</u> | <u>\$ 264,120</u> |

m. Organization Funds

The Community Foundation receives from and distributes assets for Organization Funds that have been established by a nonprofit from its own resources for the sole purpose of supporting that specific nonprofit's operations. Amounts received and distributed under these relationships totaled \$5,972,339 and \$33,494,446, respectively, for the year ended December 31, 2025, and \$11,365,174 and \$97,939,739, respectively, for the year ended December 31, 2024.

The amounts received but not yet distributed totaled \$151,709,057 and \$165,686,445 at December 31, 2025 and 2024, respectively, and are separately identified on the combined statements of financial position and referred to as Organization Funds.

n. Grants Payable

Grants are recorded when approved by the Board of Directors and when the recipient has satisfied all material conditions of the terms of the grant agreement. Certain of these approved grant commitments are to provide personnel and related expenses of programs, including projects and programs for which The Community Foundation acts as financial intermediary or fiduciary.

As of December 31, 2025, The Community Foundation is unaware of any material conditions on grants that are unlikely to be satisfied during the approved grant period. In the normal course of business, refunds and cancellations occur as a result of the recipient's needs being less than the appropriated amount and are deducted from the grant appropriations reported in the period as canceled or refunded.

Grant activity for the years ended December 31, 2025 and 2024, is summarized below:

| | <u>2025</u> | <u>2024</u> |
|-----------------------------------|-------------------|-------------------|
| Grants payable, beginning of year | \$ 628,244 | \$ 689,423 |
| Grants approved | 18,064,112 | 31,179,594 |
| Grant payments distributed | (17,964,827) | (30,619,968) |
| Cancellations and adjustments | <u>(111,760)</u> | <u>(620,805)</u> |
| Grants payable, end of year | <u>\$ 615,769</u> | <u>\$ 628,244</u> |

o. Functional Expenses

The costs associated with The Community Foundation's providing various charitable services to the community, including both programmatic services and related support services, have been reported on a functional basis, and contained in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. The costs associated with each of the services provided to the community have been allocated to program and supporting services and have been determined by management based on a human resources allocation framework for all charitable activities performed by The Community Foundation, and done on an equitable and directly correlated basis, and determined by a method of allocation based on time and effort contributed.

p. Investment Management Fees

Investment management expenses are those direct costs associated with the overall management of all charitable assets entrusted to The Community Foundation, including the Corporation's payment of expenses and costs, including sub-advisory fees and direct expenses, to the underlying asset managers held within the Corporation's Commingled Fund as set forth in the Commingled Fund's Information Memorandum and distributed annually to Organization Funds. In addition, in accordance with FASB ASU 2016-14, *Nonprofit Entities (Topic 958), Presentation of Financial Statements of Not-For-Profit Entities*, the investment management expense also includes the direct costs of The Community Foundation's professional staff that are dedicated to and responsible for performing these all-investment management services. Finally, all the Foundation's trustee, custodial, and investment management and advisory fees incurred are included in the cost of investment management. The investment management expenses are allocated against realized and unrealized gains and losses on investments in the combined statements of activities, and the value is disclosed thereon, as further set forth and quantified in Note 2e, above.

q. Notes Receivable

Loans made by The Community Foundation to any organization, including those considered MRI investments as discussed in Note 2g, above, and which are not treated as grants, are recorded at their principal amount as a note receivable at the time of issuance. Payments of principal are a reduction of the note receivable, and interest payments are recorded as investment income or interest income as applicable. At certain times, the Board of Directors has converted note receivables to grants to meet The Community Foundation's charitable purposes.

r. Use of Estimates

The preparation of combined financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts and disclosures in the combined financial statements. Actual results could differ from those estimates.

s. Subsequent Events

In preparing these combined financial statements, management has evaluated subsequent events through March 24, 2026, which represents the date the combined financial statements were available to be issued. Through that date there were no material events that would require recognition or additional disclosure in the financial statements.

Note 3 - **Net Asset Management:**

a. Net Asset Classifications and Values

As discussed in Note 2b, The Community Foundation internally accounts for all net assets in accordance with the donor's original intent as provided for in the gift instrument, under the provisions of the R&D, in the following net asset classifications without donor restriction:

Designated: Represent funds for which the spending is distributed to one or more charitable beneficiaries in accordance with the donor's designation and the R&D.

Donor-Advised: Represent funds for which the donor has reserved the right to make nonbinding distribution recommendations to The Community Foundation for distribution to the community in accordance with the policies and procedures governing donor-advised funds as adopted by The Community Foundation's governing boards, the R&D, and the Articles of Incorporation and By-Laws.

Preference: Represent funds for which the spending is distributed to a specific field of interest or geographic location in accordance with the donor's stated interest, under the direction of The Community Foundation's governing boards, the R&D, and the Articles of Incorporation and By-Laws.

Undesignated: Represent funds that are discretionary and the spending from which are under the direction of The Community Foundation's governing boards, the R&D, and the Articles of Incorporation and By-laws.

Net assets with donor restriction consist of the net balance from split-interest agreements.

Net assets as of December 31, 2025 and 2024, consisted of the following:

| | <u>2025</u> | <u>2024</u> |
|---------------------------------------|-----------------------|-----------------------|
| Net assets without donor restriction: | | |
| Designated | \$ 223,626,521 | \$ 201,870,596 |
| Donor advised | 100,763,834 | 89,860,447 |
| Preference | 124,647,653 | 105,024,088 |
| Undesignated | <u>101,150,443</u> | <u>91,699,972</u> |
| | 550,188,451 | 488,455,103 |
| Net assets with donor restriction | <u>2,110,810</u> | <u>1,855,274</u> |
| Total net assets | <u>\$ 552,299,261</u> | <u>\$ 490,310,377</u> |

b. Endowment Spending

The Community Foundation employs a spending rule policy to maximize the flexibility, efficiency, and impact of the endowment management process. This fund utilization policy does not distinguish between investment yield and appreciation, but rather on the total return of the assets.

Since 1997, The Foundation and The Corporation have employed a spending rule policy that calculates endowment spending based on a twenty-quarters trailing average market value at a specific spending rate, with a minimum (Floor) of 4.25% and a maximum (Cap) of 5.75%, which will be applied to the current June 30th quarter-ending market valuation. The total value of endowment spending during any fiscal year shall be equal to the greater of the amounts calculated by applying the spending rate to the previous twenty-quarter average market value, or to that amount calculated by using the Floor. However, under no circumstances shall the amount of endowment spending during any fiscal year be greater than the amount determined by using the Cap.

Based upon the current spending rule policy in effect, \$27,526,475 and \$26,036,568 were provided for during the years ended December 31, 2025 and 2024, respectively.

Changes in endowment net assets for the year ended December 31, 2025 and 2024 are as follows:

| | <u>2025</u> | <u>2024</u> |
|---|-----------------------|-----------------------|
| Endowment net assets, beginning of year | \$ 486,911,209 | \$ 458,590,178 |
| Contributions | 20,239,940 | 12,872,291 |
| Investment return | 58,123,118 | 44,973,922 |
| Appropriation for expenditure | <u>(29,817,732)</u> | <u>(29,525,182)</u> |
| Endowment net assets, end of year | <u>\$ 535,456,535</u> | <u>\$ 486,911,209</u> |

Note 4 - Line of Credit/Note Payable:

a. MRI

Prior to the debt being fully and successfully extinguished in March 2024, The Mission Investments Subsidiary had access to a line of credit for borrowing up to \$40,000,000 (the Line of Credit) with a local financial institution. The Line of Credit was fully collateralized by a separately managed and segmented pool of charitable assets. The capital that provides the collateral for the Line of Credit was transferred by an unrelated charitable organization to The Corporation in 2017 to serve this collateral function, and the Corporation has full discretion for the investment management of the monies. The agreement between The Mission Investments Subsidiary and the unrelated private foundation stipulated that the assets would remain in The Corporation in a sufficient amount as determined by the Corporation to fully collateralize any and all MRI transactions that have been made through accessing of the Line of Credit until such time that the MRI transaction has been concluded. The Corporation had a limited liability with respect to the Line of Credit, which consists solely of the value held within the Collateral Account, as defined below, and was non-recourse to and did not extend to any other charitable asset held by the Corporation. If there are no outstanding MRI's executed by The Mission Investment Subsidiary for which the Collateral Account is required, the unrelated charitable organization may request the return of those assets, with notice as set forth in that bilateral agreement. On December 29, 2023 an agreement was entered into to sell the underlying assets and transfer the collateral. The debt was repaid in full on March 25, 2024.

In April and September 2024, The Mission Investments Subsidiary entered into loan agreements to provide up to \$2,800,000 of capital which in turn was loaned to a locally owned fin-tech BIDCO under the NHE3 program under the same terms. Interest only payments at 4.0% are due quarterly beginning July 1, 2024 through April 1, 2025. At that time, The Mission Investments Subsidiary may elect to extend the period 3 years with quarterly principal and interest payments sufficient to retire the remaining balance. The agreements are subject to certain performance and financial covenants. Amounts due under these agreements, including principal and interest, totaled \$2,839,710 and \$2,864,189 at December 31, 2025 and 2024, respectively.

b. Stepping Forward

On January 29, 2021, The Foundation closed on a \$15,000,000 line of credit with Liberty Bank related to the organization's *Stepping Forward* initiative. The initiative is a three-year plan to address the impacts of COVID-19 on our community and address the community's racial inequities. This loan is collateralized by a special appropriation approved by the Board of Directors and Trustee Banks in November and December 2020, respectively. \$5,905,789 of the balance on the line of credit converted to a term loan on January 1, 2024 at a fixed interest rate of 6.93%. The loan was repaid in full during 2025. The loan payable at December 31, 2025 and 2024 was \$0 and \$5,287,272, respectively.

Interest expense, for both lines of credit and note payable totaled \$413,876 and \$1,295,521 for the years ended December 31, 2025 and 2024, respectively.

Note 5 - **Leases:**

The Affiliate leases office space under a non-cancelable operating lease expiring December 31, 2032.

Future lease minimum payments under this lease amendment are as follows:

For the Years Ending:

| | |
|--|-------------------|
| 2026 | \$ 19,200 |
| 2027 | 19,200 |
| 2028 | 20,700 |
| 2029 | 20,700 |
| 2030 | 20,700 |
| 2031-2032 | 41,400 |
| Less discount to present value | <u>(8,303)</u> |
| Net Present Value of Operating Lease Liability | \$ <u>133,597</u> |

Lease expense under the operating lease totaled \$18,350 and \$19,900 for the years ended December 31, 2025 and 2024, respectively, and is included in occupancy in the statements of functional expenses.

The remaining lease term for the operating lease is approximately 7 and 8 years for the years ended December 31, 2025 and 2024, respectively. The discount rate used for the operating lease is 1.39%. The Foundation has elected to use the risk-free discount rate. Cash paid for amounts included in the measurement of the lease liability was \$17,963 and \$14,517 for the years ended December 31, 2025 and 2024, respectively.

Note 6 - **Retirement Plan:**

Eligible employees are covered under a fully funded, noncontributory retirement plan that requires that The Community Foundation make contributions thereto based on 8% of employees' earnings. The plan was converted to a 401(k) plan from a 403(b) in July 2024. Total retirement plan contributions were \$454,713 and \$516,635 for the years ended December 31, 2025 and 2024, respectively.

During the year ended December 31, 2019, The Community Foundation created a 457(b) plan for the Chief Executive Officer. Contributions into the plan are discretionary. The Community Foundation did not contribute to the 457(b) plan for the years ended December 31, 2025 and 2024.

Note 7 - **Availability and Liquidity:**

The following represents The Foundation's liquid financial assets on December 31, 2025 and 2024:

| Financial assets at year end: | <u>2025</u> | <u>2024</u> |
|---|----------------------|----------------------|
| Cash and cash equivalents | \$ 3,409,494 | \$ 28,382,135 |
| Contributions and grants receivable | 1,772,593 | 2,852,384 |
| Short-term investments | <u>19,670,503</u> | <u>4,726,828</u> |
| Total liquid financial assets | <u>24,852,590</u> | <u>35,961,347</u> |
| Less amounts not available to be used within one year: | | |
| Net assets with donor restriction included in short term investments | <u>(94,920)</u> | <u>(86,181)</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 24,757,670</u> | <u>\$ 35,875,166</u> |

The Community Foundation believes it to be prudent to maintain liquid financial assets to meet 90 days of the normal and customary operating expenses, or approximately \$1.9 million. Although The Community Foundation's policies and spending methodology does not require it to spend from its liquid financial assets other than from the amounts appropriated for general expenditure as part of its annual budget approval and appropriation processes under its Spending Rule Policy, additional liquidity to satisfy operational needs could be available, if necessary.

Note 8 - **Nonprofit Loan Guaranty:**

In 2021, The Mission Investments Subsidiary entered into an agreement with a local CDFI nonprofit lending institution (CDFI-1) to further and deepen its strategy for making MRIs to nonprofit organizations in the Greater New Haven region. The Mission Investments Subsidiary has committed to CDFI-1 to provide up to a fifty percent (50%) non-cash guarantee on certain loans and/or credit lines to nonprofits, at its sole discretion and approved by The Mission Investments Subsidiary. Under this arrangement with CDFI-1, the cumulative maximum potential amount of all guarantees is \$1,500,000 on a cumulative loan portfolio of \$3,000,000, with each underlying loan guaranteed up to fifty percent. As of December 31, 2025, the total amount guaranteed was \$975,624 and was comprised of four nonprofit loans. As of December 31, 2024, the total amount guaranteed was \$1,004,546 and was comprised of five nonprofit loans. Each guarantee is in effect and continuing until the debt is paid in full. On December 31, 2025, and through the date of this report the four nonprofits are in full compliance with their underlying debt obligations to CDFI-1. Since inception, eight loans were guaranteed under this program, and also repaid.

In 2020, The Mission Investments Subsidiary coordinated and contributed \$750,000 to the establishment of a new small business loan program in partnership with several other institutional leaders through a local CDFI nonprofit lending institution (CDFI-2). The loan program was originally established in the amount of \$1,500,000 for loans up to \$25,000 for SEDI (socially and economically disadvantage individuals) with less than 25 employees to recover from the pandemic. As of December 31, 2023, The Mission Investments Subsidiary reduced its investment by half, to \$375,000. On December 31, 2025, and through the date of this report, all loans are in full compliance with their debt obligations, the underwriting, due diligence, and servicing for which is fulfilled by CDFI-2.

In 2021, an agreement was entered into with a local CDFI nonprofit lending institution (CDFI-3) to further and deepen its strategy for making mission-related capital available to SEDI in the Greater New Haven region. The Mission Investments Subsidiary has committed to CDFI-3 to provide up to a fifty percent (50%) non-cash guarantee on certain loans and/or credit lines to small businesses in The Community Foundation's geographic area. Under this arrangement with CDFI-3, the cumulative maximum potential amount of all guarantees is \$1,000,000, with each underlying nonprofit loan guaranteed up to fifty percent. As of December 31, 2025 and December 31, 2024, respectively, the total amount guaranteed was \$733,215 and \$793,154. Each guarantee is in effect and continuing until the debt is paid in full. On December 31, 2025, and through the date of this report, all loans are in full compliance with their debt obligations, the underwriting, due diligence, and servicing for which is fulfilled by CDFI-3. Since inception, sixty-seven loans totaling almost \$3 million have been originated, and forty are outstanding as of December 31, 2025.