

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

**COMBINED FINANCIAL STATEMENTS**

**DECEMBER 31, 2023 AND 2022**

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

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### **Independent Auditor's Report**

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

#### **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 statement of financial position as of December 31, 2023, and the related combined statements of activities, cash flows, and functional expenses for the year 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 financial position of the Community Foundation as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Other Matter**

The combined financial statements of the Community Foundation for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on February 24, 2023. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

## **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 U.S. GAAP, 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 for one year after the date that the combined financial statements are issued.

## **Auditor's 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 auditor's 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 U.S. GAAS 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 U.S. GAAS, 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 February 29, 2024, on our consideration of the Community 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 Foundations 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.

*Cirone Friedberg, LLP*

Shelton, Connecticut  
February 29, 2024

**THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE**  
**COMBINED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 37,375,104	\$ 10,278,315
Investments at Market Value - Component Funds	422,165,870	410,159,665
Investments at Market Value - Organization Funds	159,826,966	169,369,000
Investments at Market Value - MRI Investment Funds	77,819,052	68,961,230
Investments in Real Estate	<u>2,752,962</u>	<u>2,780,941</u>
Total Investments	699,939,954	661,549,151
Mission Related Investments	45,405,881	46,505,008
Contributions Receivable	1,420,605	2,525,076
Grants Receivable	218,214	22,673
Split-Interest Agreements	1,068,422	827,238
Right-of-Use Asset - Operating Lease	166,927	
Other Assets	130,211	49,119
Furniture and Equipment, Net	<u>33,177</u>	<u>89,105</u>
<b>Total Assets</b>	<b><u>\$ 748,383,391</u></b>	<b><u>\$ 711,567,370</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<u>Liabilities</u>		
Accounts Payable and Accrued Expenses	\$ 1,038,520	\$ 1,256,992
Mission Related Investments - Line of Credit	39,616,446	40,000,000
Line of Credit	7,405,789	7,036,051
Grants Payable	689,423	868,861
Organization Funds	159,826,966	169,369,000
MRI Investment Funds	77,819,052	68,961,230
Liabilities Under Split-Interest Agreements	333,508	263,569
Operating Lease Liability	<u>166,927</u>	<u>-</u>
Total Liabilities	286,896,631	287,755,703
<u>Net Assets</u>		
Without Donor Restriction	460,070,281	422,388,653
With Donor Restriction	<u>1,416,479</u>	<u>1,423,014</u>
Total Net Assets	461,486,760	423,811,667
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 748,383,391</u></b>	<b><u>\$ 711,567,370</u></b>

See notes to financial statements.

**THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE  
COMBINED STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023			2022		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>Revenue, Gains and Other Support</b>						
Contributions	\$ 41,891,036	\$ -	\$ 41,891,036	\$ 30,731,661	\$ -	\$ 30,731,661
Less Transfers to Organization Funds	(14,883,379)	-	(14,883,379)	(12,192,607)	-	(12,192,607)
Net Contributions	27,007,657	-	27,007,657	18,539,054	-	18,539,054
Investment Return, Net	50,437,858	-	50,437,858	(58,478,108)	-	(58,478,108)
Change in Value of Split-Interest Agreements, Net	-	253,711	253,711	-	(470,390)	(470,390)
Net Assets Released from Restriction	260,246	(260,246)	-	-	-	-
Total Revenue, Gains and Other Support	77,705,761	(6,535)	77,699,226	(39,939,054)	(470,390)	(40,409,444)
<b>Expenses</b>						
Program Services:						
Grants and Distributions Approved, Net	70,433,552	-	70,433,552	81,661,814	-	81,661,814
Grants for Program Management and Direct Grant Activities	3,264,882	-	3,264,882	3,298,503	-	3,298,503
Total Grant Expense	73,698,434	-	73,698,434	84,960,317	-	84,960,317
Less Distributions from Organization Funds	(41,689,945)	-	(41,689,945)	(56,298,065)	-	(56,298,065)
Net Grant Expense	32,008,489	-	32,008,489	28,662,252	-	28,662,252
Supporting Services:						
Management, Leadership and Operations	3,435,595	-	3,435,595	3,436,180	-	3,436,180
Development, Donor Services and Fund Stewardship	1,491,216	-	1,491,216	1,406,799	-	1,406,799
Total Administrative Expenses	4,926,811	-	4,926,811	4,842,979	-	4,842,979
Interest Expense for Line of Credit Agreements	3,088,833	-	3,088,833	1,436,938	-	1,436,938
Total Expenses	40,024,133	-	40,024,133	34,942,169	-	34,942,169
Change in Net Assets	37,681,628	(6,535)	37,675,093	(74,881,223)	(470,390)	(75,351,613)
Net Assets - Beginning of Year	422,388,653	1,423,014	423,811,667	497,269,876	1,893,404	499,163,280
Net Assets - End of Year	\$ 460,070,281	\$ 1,416,479	\$ 461,486,760	\$ 422,388,653	\$ 1,423,014	\$ 423,811,667

See notes to financial statements.



**THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE  
COMBINED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 37,675,093	\$ (75,351,613)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	70,499	112,341
Realized and Unrealized Investment (Gains) Losses, Net	(53,010,372)	58,948,887
Amortization of Right-of-Use Asset - Operating Lease	19,200	-
Changes in Assets and Liabilities:		
MRI Investments	1,099,127	(7,322,728)
Contributions Receivable	1,104,471	33,944,471
Grants Receivable	(195,541)	277,926
Split-Interest Agreements	(241,184)	349,310
Other Assets	(95,663)	388,953
Accounts Payable and Accrued Expenses	(218,472)	478,307
Grants Payable	(179,438)	74,999
Organization Funds	(9,542,034)	(79,385,341)
MRI Investment Funds	8,857,822	(16,245,464)
Liabilities Under Split-Interest Agreements	69,939	(37,864)
Operating Lease Liability	(19,200)	-
Total Adjustments	<u>(52,280,846)</u>	<u>(8,416,203)</u>
Net Cash Used by Operating Activities	<u>(14,605,753)</u>	<u>(83,767,816)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from Sales of Investments	219,227,153	242,658,323
Purchases of Investments	<u>(177,510,795)</u>	<u>(179,254,613)</u>
Net Cash Provided by Investing Activities	<u>41,716,358</u>	<u>63,403,710</u>
<b>Cash Flows from Financing Activities</b>		
Repayments on MRI Line of Credit	(383,554)	-
Proceeds from Line of Credit	<u>369,738</u>	<u>10,739,831</u>
Net Cash (Used) Provided by Financing Activities	<u>(13,816)</u>	<u>10,739,831</u>
Net Increase (Decrease) in Cash and Cash Equivalents	27,096,789	(9,624,275)
Cash and Cash Equivalents - Beginning of Year	<u>10,278,315</u>	<u>19,902,590</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><b>\$ 37,375,104</b></u>	<u><b>\$ 10,278,315</b></u>
<b>Supplemental Cash Flow Information</b>		
Cash Paid During the Year for Interest	<u>\$ 3,088,833</u>	<u>\$ 1,436,938</u>

During the year ended December 31, 2023, the Affiliate obtained a right-of-use asset - operating lease of \$186,127 in exchange for an operating lease liability of a similar amount.

See notes to financial statements.



**THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE  
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2023**

	Program Services			Supporting Services			Total Foundation Services
	Grants and Community Leadership	Government Grant Expense	Other Program Expenditures	Total Program Services	Management and General	Supporting Development and Fundraising	
Grants to Community	\$ 22,262,910	\$ 1,165,000	\$ -	\$ 23,427,910	\$ -	\$ -	\$ 23,427,910
Salaries and Benefits	1,953,712	587,179	2,460,533	5,001,424	2,589,709	1,123,928	8,715,061
Consultants	224,659	-	49,515	274,174	57,821	23,653	355,648
Contracted Services	-	816,276	-	816,276	-	-	816,276
Conventions and Meetings	457,874	106,203	110,945	675,022	120,122	51,286	846,430
Depreciation and Amortization	20,468	-	19,290	39,758	21,680	9,061	70,499
Dues and Fees	56,819	1,500	41,835	100,154	47,351	19,712	167,217
General	227,677	122,013	36,555	386,245	43,628	17,633	447,506
Information Management, Technology and Maintenance	22,372	74,217	132,327	228,916	146,511	61,758	437,185
Insurance	37,167	-	41,000	78,167	45,527	19,159	142,853
Marketing and Outreach	57,612	101,103	76,058	234,773	67,728	32,506	335,007
Occupancy	80,560	1,000	107,442	189,002	102,966	47,242	339,210
Professional Development	17,105	3,587	24,199	44,891	21,693	10,369	76,953
Professional Fees	98,747	3,215	82,876	184,838	80,254	36,591	301,683
Supplies	183,487	33,366	70,337	287,190	76,285	32,538	396,013
Travel	3,556	13,131	2,585	19,272	2,905	1,214	23,391
Utilities	9,576	1,516	9,385	20,477	11,415	4,566	36,458
Total Functional Expenses	\$ 25,714,301	\$ 3,029,306	\$ 3,264,882	\$ 32,008,489	\$ 3,435,595	\$ 1,491,216	\$ 36,935,300

See notes to financial statements.

**THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE  
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2022**

	Program Services			Supporting Services		Total Foundation Services		
	Grants and Community Leadership	Government Grant Expense	Other Program Expenditures	Total Program Services	Management and General		Development and Fundraising	Total Supporting Services
Grants to Community	\$ 20,715,392	\$ -	\$ -	\$ 20,715,392	\$ -	\$ -	\$ -	\$ 20,715,392
Salaries and Benefits	1,276,105	325,410	2,552,087	4,153,602	2,675,074	1,090,869	3,765,943	7,919,545
Consultants	956,525	-	57,070	1,013,595	67,582	25,531	93,113	1,106,708
Contracted Services	-	755,193	-	755,193	-	-	-	755,193
Convenings and Meetings	340,836	181,557	87,468	609,861	85,835	36,531	122,366	732,227
Depreciation and Amortization	25,296	-	33,828	59,124	38,336	14,881	53,217	112,341
Dues and Fees	35,683	11,625	28,279	75,587	31,486	12,358	43,844	119,431
General	205,388	114,728	(8,884)	311,232	(12,431)	(4,255)	(16,686)	294,546
Information Management, Technology and Maintenance	12,834	23,000	117,690	153,524	121,882	50,089	171,971	325,495
Insurance	31,696	-	41,000	72,696	44,389	17,732	62,121	134,817
Marketing and Outreach	50,129	144	79,792	130,065	74,716	32,799	107,515	237,580
Occupancy	63,909	-	135,064	198,973	134,230	56,656	190,886	389,859
Professional Development	16,247	750	32,200	49,197	31,636	13,454	45,090	94,287
Professional Fees	88,629	-	69,312	157,941	66,537	28,730	95,267	253,208
Supplies	100,230	15,602	63,942	179,774	65,643	27,130	92,773	272,547
Travel	8,324	2,452	1,719	12,495	1,867	744	2,611	15,106
Utilities	4,692	1,373	7,936	14,001	9,398	3,550	12,948	26,949
Total Functional Expenses	\$ 23,931,915	\$ 1,431,834	\$ 3,298,503	\$ 28,662,252	\$ 3,436,180	\$ 1,406,799	\$ 4,842,979	\$ 33,505,231

See notes to financial statements.



**THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS**

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

The Community Foundation for Greater New Haven (The Foundation), formerly The New Haven Foundation, was established in 1928 under a Resolution and Declaration of Trust as amended through April 2000 (the R&D). As of December 31, 2023, the R&D provides for the following Trustee Banks: Wells Fargo Bank, Bank of America, Key Bank and People's United Bank.

The accompanying combined financial statements include the accounts of The Foundation, The Community Foundation for Greater New Haven, Inc. (The Corporation), The Community Foundation Mission Investments Company, LLC (The Mission Investments Subsidiary), and The Valley Community Foundation, Inc. (The Affiliate) (together, The Foundation, The Corporation, The Mission Investments Subsidiary, and The Affiliate, 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 Corporation is a separate charitable corporation, organized in 1982 to perform the function and to carry out the purposes of The Foundation. The Affiliate is a separate charitable corporation, organized in 2004 to carry out the purposes, mission, objectives, operations, and activities of The Foundation in the towns of Ansonia, Derby, Shelton, Seymour and Oxford, Connecticut, and their environs. The Affiliate, because of the 2014 changes in federal tax law has determined through actions adopted by its Board of Directors that it would obtain its federal exemption under Section 501(c) (3) as an independent organization for, among other things, fulfilling its public support test, rather than through the former Internal Revenue Code (IRC) provisions afforded under Section 509(a) (3) as a supporting organization to The Foundation. Notwithstanding this IRC election by The Affiliate, The Foundation and The Affiliate, through an affiliation agreement that was adopted in 2004 and renewed periodically, the last of which occurred in May 2018 by the respective Board of Directors for a ten-year period, will continue to report the financial results of The Foundation and The Affiliate on a combined basis pursuant to the provisions of such affiliation agreement. Consistent with IRC requirements that have existed since this Affiliate's formation in 2004, The Foundation and The Affiliate will continue to issue separate informational tax filings through IRS Form 990.

In 2013, The Corporation sought registration as a Connecticut registered investment adviser with the State of Connecticut's Department of Banking under the Connecticut Uniform Securities Act as part of its on-going efforts to provide local nonprofits with the comfort of knowing that their endowment-like assets are managed according to the industry standards and best practices. In March 2014, the Connecticut Department of Banking's Securities and Business Investments Division notified the Corporation that it was a registered investment adviser. 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 2k below for additional information on Organization Funds.



In 2017, The Corporation created a wholly-owned and controlled, charitable, tax-exempt special purpose limited liability company to carry out the mission investment activities of The Community Foundation. The Corporation is the sole member of the Mission Investments Subsidiary, its board of managers is entirely appointed by the Foundation, and whose management is comprised exclusively of members of Foundation's management team. The Mission Investments Subsidiary entered into a relationship with a local financial institution in 2017 for a fully-collateralized and non-recourse to the Corporation, line of credit facility which would enable the Mission Investments Subsidiary to expeditiously and efficiently deploy mission investment capital into the Greater New Haven community in accordance with the donors' intentions and pursuant to the Foundation's charitable mission impact goals and stewardship oversight, as further described in Note 2f. and Note 4, below.

The Foundation qualifies as a public charity under IRC Section 170(b)(1)(A)(vi) and is exempt from federal income and state taxes under Section 501(c)(3) of the IRC and Section 12-244 of the Connecticut General Statutes.

**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.

*ASC 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 2h., 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 hedge strategies and private hard assets, which include asset classes 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* after it considers certain pertinent factors, including the limited partners' audited financial statements, that are reviewed and discussed by management and its investment committee, 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 Accounting Standards Update (ASU) 2019-12, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, 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 categorized 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 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, 2023 is as follows:

Description	Total	Level 1	Level 2	Level 3	Investments Valued at NAV (a)
Short-term investments	\$ 7,257,997	\$ 7,257,997	\$ -	\$ -	\$ -
Fixed income	103,795,590	69,484,428	19,794,413	-	14,516,749
Equities:					
International	117,138,877	30,806,399	-	-	86,332,478
Domestic	206,411,207	96,419,878	-	-	109,991,329
Alternatives:					
Hedged equity	97,720,719	-	-	-	97,720,719
Private hard assets	57,929,882	-	-	-	57,929,882
Private equity	69,557,616	-	-	-	69,557,616
Investments as of December 31, 2023	659,811,888	203,968,702	19,794,413	-	436,048,773
Split-Interest agreements	1,068,422	-	-	1,068,422	-
Total assets at fair value as of December 31, 2023	\$ <u>660,880,310</u>	\$ <u>203,968,702</u>	\$ <u>19,794,413</u>	\$ <u>1,068,422</u>	\$ <u>436,048,773</u>
Percent of Total	100%	30.8%	3.0%	0.2%	66.0%

The fair value of The Community Foundation's investments as of December 31, 2022 is as follows:

Description	Total	Level 1	Level 2	Level 3	Investments Valued at NAV (a)
Short-term investments	\$ 8,493,082	\$ 8,493,082	\$ -	\$ -	\$ -
Fixed income	75,454,746	48,358,831	13,256,757	-	13,839,158
Equities:					
International	113,027,254	30,729,213	-	-	82,298,041
Domestic	227,008,647	96,610,130	-	-	130,398,517
Alternatives:					
Hedged equity	97,074,947	-	-	-	97,074,947
Private Hard assets	50,862,590	-	-	-	50,862,590
Private equity	76,568,629	-	-	-	76,568,629
Investments as of December 31, 2022	648,489,895	184,191,255	13,256,757	-	451,041,882
Split-Interest agreements	827,238	-	-	827,238	-
Total assets at fair value as of December 31, 2022	\$ <u>649,317,133</u>	\$ <u>184,191,255</u>	\$ <u>13,256,757</u>	\$ <u>827,238</u>	\$ <u>451,041,882</u>
Percent of Total	100%	28.4%	2.0%	0.1%	69.5%

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, 2023 or December 31, 2022.

The following tables disclose certain additional information as of December 31, 2023 and 2022 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, 2023**

Description	Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions
<b>Investments valued at Net Asset Value:</b>				
Fixed income	\$ 14,516,749	\$ None	Annually	N/A
International equity	86,332,478	None	Monthly to 3-year lock-up period	5-90 days' notice
Domestic equity	109,991,329	None	Daily to quarterly	0-60 days' notice
Hedged equity (Class B)	97,720,719	None	Annually with a 1-year lock-up period	60 days' written notice
Real assets	57,929,882	9,207,380	More than 3 years	N/A
Private equity	69,557,616	17,870,981	More than 3 years	N/A
Total Net Asset Value	\$ 436,048,773	\$ 27,078,361		

**December 31, 2022**

Description	Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions
<b>Investments valued at Net Asset Value:</b>				
Fixed income	\$ 13,839,158	\$ None	Annually	N/A
International equity	82,298,041	None	Monthly to 3-year lock-up period	5-90 days' notice
Domestic equity	130,398,517	None	Daily to quarterly	0-60 days' notice
Hedged equity (Class B)	95,195,587	None	Annually with a 1-year lock-up period	60 days' written notice
Hedged equity (Class B3)	1,879,360	None	Annually with a 1-year lock-up period	95 days' written notice
Real assets	50,862,590	8,917,907	More than 3 years	N/A
Private equity	76,568,629	15,507,856	More than 3 years	N/A
Total Net Asset Value	\$ 451,041,882	\$ 24,425,763		



The Community Foundation assesses and reports on the liquidity of all investments on a quarterly 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-four percent (33.9 %) of the fair value of its investments on a monthly basis, and approximately sixty-six percent (66.0%) 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, 2023 and 2022:

	<u>Split-Interest Agreements</u>
Fair value as of December 31, 2021	\$ 1,176,548
Change in value of split-interest agreements	<u>(349,310)</u>
Fair value as of December 31, 2022	827,238
Change in value of split-interest agreements	<u>241,184</u>
Fair value as of December 31, 2023	\$ <u>1,068,422</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.

**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.



**Hedged Equity:** 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 Hard Assets:** The Community Foundation's private hard 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 through a fund-of-funds structure or 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 seven to ten 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, 2023 and 2022.

Net investment activity for the years ended December 31, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Realized and unrealized gains (losses)	\$ 79,132,726	\$ (90,054,756)
Interest and dividends	5,414,896	4,884,765
Total portfolio return	<u>84,547,622</u>	<u>(85,169,991)</u>
Less market return – organization funds	(26,122,354)	31,105,869
Less investment management expenses	<u>(7,987,410)</u>	<u>(4,413,986)</u>
Investment gain (loss), net	<u>\$ 50,437,858</u>	<u>\$ (58,478,108)</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 Internal Revenue Service 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.

#### **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 in the greater New Haven area. 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. In 2023, additional grants were awarded to The Mission Investments Subsidiary from federal, state, local and philanthropic entities.

#### **g. Contributions**

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, 2023 and 2022, in the amounts of \$1,420,605 and \$2,525,076, respectively, represent unconditional promises to give that are expected to be collected within one fiscal year.

Certain governmental grants and contracts are generally considered exchange transactions rather than contributions. Revenue from cost-reimbursement grants and contracts is recognized to the extent of costs incurred.



#### h. 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.

#### i. Leases

The Community Foundation accounts for leases in accordance with ASC 842. 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.

**j. Furniture and Equipment**

Furniture and equipment purchased in excess of \$2,500 are capitalized and are stated at historical cost. Depreciation is provided on a straight-line basis over the following useful lives:

Furniture and equipment	5-20 years
Computer equipment	3-5 years

Furniture and equipment at December 31, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 911,178	\$ 1,535,100
Accumulated depreciation	<u>(878,001)</u>	<u>(1,445,995)</u>
Furniture and equipment, net	\$ <u>33,177</u>	\$ <u>89,105</u>

**k. Organization Funds**

As discussed above, The Community Foundation receives from and distributes to 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 \$14,883,379 and \$41,689,945, respectively, for the year ended December 31, 2023, and \$12,192,607 and \$56,298,065, respectively, for the year ended December 31, 2022.

The amounts received but not yet distributed totaled \$159,826,966 and \$169,369,000 at December 31, 2023 and 2022, respectively, and are separately identified on the combined statements of financial position and referred to as Organization Funds.

**l. Grants and Contracts 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, 2023, 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, 2023 and 2022, is summarized below:

	<u>2023</u>	<u>2022</u>
Grants payable, beginning of year	\$ 868,861	\$ 793,862
Grants approved	40,338,085	46,937,085
Grant payments distributed	(40,184,400)	(45,511,138)
Cancellations and adjustments	<u>(333,123)</u>	<u>(1,350,948)</u>
Grants payable, end of year	\$ <u>689,423</u>	\$ <u>868,861</u>

#### **m. 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.

#### **n. 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. In addition, in accordance with ASU No. 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 on the combined statements of activities, and the value is disclosed thereon, as further set forth and quantified in Note 2f, above.

#### **o. Notes Receivable**

Loans made by The Community Foundation to any organization, including those considered MRI investments as discussed in Note 2h, 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. At certain times, the Board of Directors has converted note receivables to grants to meet The Community Foundation's charitable purposes.



**p. 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.

**q. Subsequent Events**

In preparing these combined financial statements, management has evaluated subsequent events through February 29, 2024, which represents the date the combined financial statements were available to be issued.

**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 as of December 31, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Net assets without donor restriction:		
Designated	\$ 186,850,750	\$ 171,073,271
Donor advised	84,805,028	75,886,184
Preference	99,470,131	94,714,404
Undesignated	88,684,126	80,714,794
	<u>459,810,035</u>	<u>422,388,653</u>
Net assets with donor restriction	<u>1,676,725</u>	<u>1,423,014</u>
Total net assets	\$ <u>461,486,760</u>	\$ <u>423,811,667</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 30<sup>th</sup> 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, \$25,526,682 and \$26,591,475 were provided for during the years ended December 31, 2023 and 2022, respectively.

**Note 4 - Lines of Credit:**

**a. MRI**

The Mission Investments Subsidiary has 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 is 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 stipulates that the assets will 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 has 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 is non-recourse to and does 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. Given this provision, the Foundation records the transfer of assets from the unrelated entity, as set forth on the statements of financial position in the amount of \$77,819,052 (the Collateral Account) as both an asset and liability of equal value, as fairly and independently measured at each fiscal year end. On December 29, 2023 an agreement was entered into to sell the underlying assets and transfer the collateral. The rate of interest for this credit access is equal to the prime rate minus 1.55%, but not less than 1%, which as of December 31, 2023 was 6.95%. The availability period for this Line of Credit is through January 29, 2024. On January 29, 2024, the loan maturity date was modified, without additional availability, to April 29, 2024. As of December 31, 2023 and December 31, 2022, \$39,616,446 and \$40,000,000, respectively, has been drawn on the Line of Credit to implement approved MRIs and are fully secured by the Collateral Account.

**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. The loan is a three-year, non-revolving, interest-only line of credit, which converts to a seven-year term loan. The rate of interest for this credit access is equal to prime rate minus 0.25%, during the revolving period, which as of December 31, 2023, was 8.25%. The line of credit converted to term loan on January 1, 2024. The fixed interest rate is 6.93%. The loan payable at December 31, 2023 and 2022 was \$7,405,789 and \$7,036,051, respectively.

Interest expense, for both lines of credit, totaled \$3,088,833 and \$1,436,938 for the years ended December 31, 2023 and 2022, respectively.

**Note 5 - Leases:**

The Affiliate leases office space under a non-cancelable operating lease, signed in February 2023, effective January 1, 2023 and expiring December 31, 2032.

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

For the Year Ending:

2024	\$ 19,200
2025	19,200
2026	19,200
2027	19,200
2028	22,425
2029-2032	81,075
Less discount to present value	<u>(13,193)</u>
Net Present Value of Operating Lease Liability	\$ <u>166,927</u>

Lease expense under the operating lease totaled \$19,200 and \$14,975 for the years ended December 31, 2023 and 2022, respectively.

The remaining lease term for the operating lease is approximately 9 years. 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 \$19,200 for the year ended December 31, 2023.

The affiliates' previous lease for office space expired on December 31, 2022.



**Note 6 - Retirement Plan:**

Eligible employees are covered under a fully funded, noncontributory 403(b) retirement plan that requires that The Community Foundation make contributions thereto based on 8% of employees' earnings. Total retirement plan contributions were \$463,220 and \$446,314 for the years ended December 31, 2023, and 2022, 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, 2023 or 2022.

**Note 7 - Availability and Liquidity:**

The following represents The Foundation's liquid financial assets on December 31, 2023 and 2022:

Financial assets at year end:	2023	2022
Cash and cash equivalents	\$ 37,375,104	\$ 10,278,315
Contributions and grants receivable	1,638,819	2,547,749
Short-term Investments	7,257,997	8,493,082
Total liquid financial assets	<u>46,271,920</u>	<u>21,319,146</u>
Less amounts not available to be used within one year:		
Net assets with donor restriction included in short term investments	<u>(128,124)</u>	<u>(53,329)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 46,143,796</u>	<u>\$ 21,265,817</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, financial sources 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 \$3,000,000, with each underlying nonprofit loan guaranteed up to fifty percent. As of December 31, 2023, the total amount guaranteed was \$1,183,750 and comprised of five nonprofit loans. As of December 31, 2022, the total amount guaranteed was \$683,497 and comprised of four nonprofit loans. Each guarantee is in effect and continuing until the debt is paid in full. On December 31, 2023, and through the date of this report the five nonprofits are in full compliance with their underlying debt obligations to CDFI-1.



In 2020, the Mission Investments Subsidiary coordinated and contributed \$750,000 to the establishment of a new small business loan program for female and minority-owned enterprises 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 each minority and women-owned businesses 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, 2023, 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 female and minority-owned businesses 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 Organization's geographic area. Under this arrangement with CDFI-3, the cumulative maximum potential amount of all guarantees is \$2,000,000, with each underlying nonprofit loan guaranteed up to fifty percent. As of December 31, 2023 and December 31, 2022, respectively, the total amount guaranteed was \$803,044 and \$710,267. Each guarantee is in effect and continuing until the debt is paid in full. On December 31, 2023, 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.

**Note 9 - Reclassifications:**

Certain amounts in the combined financial statements for the year ended December 31, 2022 have been reclassified, with no effect on the change in net assets, to be consistent with the classifications presented for the year ended December 31, 2023.