

THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE
COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020



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THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE

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Independent Auditors' Report

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

Opinion

We have audited the accompanying combined financial statements of The Community Foundation for Greater New Haven and Affiliate, which comprise the combined statements of financial position as of December 31, 2021 and 2020, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation for Greater New Haven and Affiliate as of December 31, 2021 and 2020, and the changes in their net assets and their 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*, 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 Financial Statements section of our report. We are required to be independent of The Community Foundation for Greater New Haven and Affiliate 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.

Management's Responsibility for the Combined Financial Statements

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

In preparing the 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 for Greater New Haven and Affiliate's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibility

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 for Greater New Haven and Affiliate'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Community Foundation for Greater New Haven and Affiliate'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 a report dated February 28, 2022 on our consideration of The Community Foundation for Greater New Haven and Affiliate's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Community Foundation for Greater New Haven and Affiliate'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 Community Foundation for Greater New Haven and Affiliate's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

West Hartford, Connecticut
February 28, 2022

THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 19,902,590	\$ 17,079,092
Investments at market value - component funds	436,493,095	418,838,889
Investments at market value - organization funds	248,754,341	231,698,087
Investments at market value - MRI investment funds	85,206,694	77,339,413
Investment in real estate	3,169,303	3,158,729
Total investments	<u>793,526,023</u>	<u>748,114,210</u>
Mission Related Investments (MRI)	39,182,280	27,079,373
Contributions receivable	36,469,547	1,033,893
Grants receivable	300,599	467,504
Split-interest agreements	1,176,548	884,965
Other assets	426,381	19,302
Furniture and equipment, net	<u>213,137</u>	<u>254,038</u>
Total Assets	<u>\$ 871,294,515</u>	<u>\$ 777,853,285</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 778,685	\$ 1,026,936
Mission Related Investments - line of credit	33,040,655	21,787,748
Line of credit	3,255,565	-
Paycheck Protection Program loan payable	-	787,615
Organization funds	248,754,341	231,698,087
MRI investment funds	85,206,694	77,339,413
Liabilities under split-interest agreements	301,433	265,473
Grants payable	793,862	757,862
Total liabilities	<u>372,131,235</u>	<u>333,663,134</u>
Net Assets		
Without donor restrictions	497,269,876	442,622,464
With donor restrictions	1,893,404	1,567,687
Total net assets	<u>499,163,280</u>	<u>444,190,151</u>
Total Liabilities and Net Assets	<u>\$ 871,294,515</u>	<u>\$ 777,853,285</u>

The accompanying notes are an integral part of the combined financial statements

THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE
COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support						
Contributions	\$ 59,385,036	\$ -	\$ 59,385,036	\$ 22,503,526	\$ -	\$ 22,503,526
Less transfers to organization funds	(13,477,139)	-	(13,477,139)	(5,660,978)	-	(5,660,978)
Net contributions	45,907,897	-	45,907,897	16,842,548	-	16,842,548
Investment gain, net	39,124,477	-	39,124,477	57,844,753	-	57,844,753
Paycheck Protection Program loan forgiveness income	787,615	-	787,615	-	-	-
Split-interest agreements released from restrictions	-	-	-	528,930	(528,930)	-
Change in value of split-interest agreements, net	-	325,717	325,717	-	182,342	182,342
Total revenue, gains and other support	85,819,989	325,717	86,145,706	75,216,231	(346,588)	74,869,643
Expense						
Grants and distributions approved, net	35,838,391	-	35,838,391	33,310,706	-	33,310,706
Grants for program management and direct grant activities	3,760,195	-	3,760,195	3,380,419	-	3,380,419
Total grants expense	39,598,586	-	39,598,586	36,691,125	-	36,691,125
Less distributions from organization funds	(13,146,035)	-	(13,146,035)	(9,921,922)	-	(9,921,922)
Net grant expense	26,452,551	-	26,452,551	26,769,203	-	26,769,203
Financial, endowment, investment management and MRI management	1,796,624	-	1,796,624	1,766,508	-	1,766,508
Development, donor services and fund stewardship	1,417,030	-	1,417,030	1,230,862	-	1,230,862
Management, leadership and operations	1,506,372	-	1,506,372	1,387,970	-	1,387,970
Total administration expense	4,720,026	-	4,720,026	4,385,340	-	4,385,340
Total expense	31,172,577	-	31,172,577	31,154,543	-	31,154,543
Increase (Decrease) in Net Assets	54,647,412	325,717	54,973,129	44,061,688	(346,588)	43,715,100
Net Assets - Beginning of Year	442,622,464	1,567,687	444,190,151	398,560,776	1,914,275	400,475,051
Net Assets - End of Year	\$ 497,269,876	\$ 1,893,404	\$ 499,163,280	\$ 442,622,464	\$ 1,567,687	\$ 444,190,151

The accompanying notes are an integral part of the combined financial statements

THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services			Supporting Services		
	Grants Awarded and Programs	Other		Management and General	Development and Fundraising	
		Program Expenses	Total Program Services		Total Supporting Services	Total Foundation Services
Grants to community	\$ 22,692,356	\$ -	\$ 22,692,356	\$ -	\$ -	\$ 22,692,356
Salaries and wages	-	2,122,943	2,122,943	1,853,930	800,721	4,777,594
Employee benefits and employment taxes	-	570,693	570,693	502,313	215,002	1,288,008
Consultants	-	173,323	173,323	162,870	64,644	400,837
Depreciation	-	47,068	47,068	43,380	17,609	108,057
Dues and fees	-	204,062	204,062	192,080	76,088	472,230
General	-	11,757	11,757	8,185	4,566	24,508
Information management, technology and maintenance	-	167,054	167,054	147,442	62,910	377,406
Insurance	-	41,531	41,531	36,262	15,665	93,458
Marketing, outreach and special events	-	145,863	145,863	122,705	55,312	323,880
Meetings	-	27,737	27,737	23,560	10,503	61,800
Occupancy	-	157,372	157,372	135,908	59,453	352,733
Professional fees	-	54,688	54,688	44,314	20,845	119,847
Supplies	-	27,789	27,789	22,168	10,615	60,572
Travel	-	165	165	108	64	337
Utilities	-	8,150	8,150	7,771	3,033	18,954
Total Expenses	\$ 22,692,356	\$ 3,760,195	\$ 26,452,551	\$ 3,302,996	\$ 1,417,030	\$ 4,720,026
						\$ 31,172,577

The accompanying notes are an integral part of the combined financial statements

THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services			Supporting Services		
	Grants Awarded and Programs	Other		Management and General	Development and Fundraising	
		Program Expenses	Total Program Services		Total Supporting Services	Total Foundation Services
Grants to community	\$ 23,388,784	\$ -	\$ 23,388,784	\$ -	\$ -	\$ 23,388,784
Salaries and wages	-	1,964,522	1,964,522	1,828,807	715,653	2,544,460
Employee benefits and employment taxes	-	517,265	517,265	484,136	188,233	672,369
Consultants	-	59,160	59,160	57,507	21,364	78,871
Depreciation	-	54,592	54,592	54,087	19,636	73,723
Dues and fees	-	192,935	192,935	195,349	69,073	264,422
General	-	13,139	13,139	3,286	5,475	8,761
Information management, technology and maintenance	-	141,052	141,052	132,632	51,282	183,914
Insurance	-	21,024	21,024	18,080	7,773	25,853
Marketing, outreach and special events	-	121,169	121,169	104,254	44,797	149,051
Meetings	-	23,902	23,902	23,183	8,635	31,818
Occupancy	-	147,271	147,271	137,927	53,585	191,512
Professional fees	-	83,361	83,361	76,200	30,475	106,675
Supplies	-	20,798	20,798	18,360	7,653	26,013
Travel	-	1,181	1,181	1,168	425	1,593
Utilities	-	19,048	19,048	19,502	6,803	26,305
Total Expenses	\$ 23,388,784	\$ 3,380,419	\$ 26,769,203	\$ 3,154,478	\$ 1,230,862	\$ 4,385,340
						\$ 31,154,543

The accompanying notes are an integral part of the combined financial statements

THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 54,973,129	\$ 43,715,100
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	108,057	128,315
Realized and unrealized gain on investments	(43,299,474)	(61,375,522)
Loss on disposal of furniture and equipment	38,931	1,669
Forgiveness of Paycheck Protection Program loan	(787,615)	-
(Increase) decrease in operating assets:		
MRI investments	(12,102,907)	(11,697,468)
Contributions receivable	(35,435,654)	1,457,005
Grants receivable	166,905	(28,673)
Split-interest agreements	(291,583)	(148,647)
Other assets	(407,079)	26,883
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(248,251)	456,281
MRI investments	7,867,281	20,760,222
Organization funds	17,056,254	28,120,011
Liabilities under split-interest agreements	35,960	(132,398)
Deferred revenue	-	(66,550)
Grants payable	36,000	(867,153)
Net cash provided by (used in) operating activities	<u>(12,290,046)</u>	<u>20,349,075</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	215,914,135	185,805,858
Purchases of investments	(215,202,976)	(236,195,505)
Purchases of furniture and equipment	(106,087)	-
Net cash provided by (used in) investing activities	<u>605,072</u>	<u>(50,389,647)</u>
Cash Flows from Financing Activities		
Proceeds from line of credit	14,508,472	10,623,047
Proceeds from Paycheck Protection Program loan payable	-	787,615
Net cash provided by financing activities	<u>14,508,472</u>	<u>11,410,662</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,823,498	(18,629,910)
Cash and Cash Equivalents - Beginning of Year	<u>17,079,092</u>	<u>35,709,002</u>
Cash and Cash Equivalents - End of Year	<u>\$ 19,902,590</u>	<u>\$ 17,079,092</u>

The accompanying notes are an integral part of the combined 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, 2021, 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, as a result 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 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 consolidated 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 2c 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 for up to twenty-five million dollars. 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 footnote h and footnote 7, 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: with donor restrictions and without donor restrictions.

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 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 restrictions; 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. All contributions not classified as with donor restrictions are classified as without donor restrictions. Net assets with donor restrictions consist of irrevocable charitable trusts, lead trusts and pooled income funds, which are all classified as split-interest agreements, as defined in Note 2k, 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. 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 \$13,477,139 and \$13,146,035, respectively, for the year ended December 31, 2021, and \$5,660,978 and \$9,921,922, respectively, for the year ended December 31, 2020.

The amounts received but not yet distributed totaled \$248,754,341 and \$231,698,087 at December 31, 2021 and 2020, respectively, and are separately identified on the combined statements of financial position and referred to as Organization Funds.

d. 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.

e. Investments

Investments are carried at fair value, as discussed in Note 2f 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.

f. 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 ASU *Topic 820, 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 Topic 820 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, either directly or indirectly, 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, 2021 is as follows:

Description	Total	Level 1	Level 2	Level 3	Investments Valued at NAV (a)
Short-term investments	\$ 5,264,941	\$ 5,264,941	\$ -	\$ -	\$ -
Fixed income	127,106,465	106,196,491	-	-	20,909,974
Equities:					
International	117,058,687	23,955,719	-	-	93,102,968
Domestic	263,049,547	83,211,570	-	-	179,837,977
Alternatives:					
Hedged equity	143,514,911	-	-	-	143,514,911
Real assets	53,003,300	-	-	-	53,003,300
Private equity	61,456,279	-	-	-	61,456,279
Investments as of December 31, 2021	770,454,130	218,628,721	-	-	551,825,409
Split-interest agreements	1,176,548	-	-	1,176,548	-
Total assets at fair value as of December 31, 2021	\$ 771,630,678	\$ 218,628,721	\$ -	\$ 1,176,548	\$ 551,825,409
Percent of Total	100%	28.3%	0.0%	0.2%	71.5%

The fair value of The Community Foundation's investments as of December 31, 2020 is as follows:

Description	Total	Level 1	Level 2	Level 3	Investments Valued at NAV (a)
Short-term investments	\$ 6,505,208	\$ 6,505,208	\$ -	\$ -	\$ -
Fixed income	130,327,089	107,583,341	-	-	22,743,748
Equities:					
International	124,866,866	20,479,886	-	-	104,386,980
Domestic	244,647,076	61,227,801	-	-	183,419,275
Alternatives:					
Hedged equity	127,772,304	-	-	-	127,772,304
Real assets	54,676,555	-	-	-	54,676,555
Private equity	<u>39,081,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,081,291</u>
Investments as of December 31, 2020	727,876,389	195,796,236	-	-	532,080,153
Split-interest agreements	<u>884,965</u>	<u>-</u>	<u>-</u>	<u>884,965</u>	<u>-</u>
Total assets at fair value as of December 31, 2020	\$ <u>728,761,354</u>	\$ <u>195,796,236</u>	\$ <u>-</u>	\$ <u>884,965</u>	\$ <u>532,080,153</u>
Percent of Total	100%	26.9%	0.0%	0.1%	73.0%

(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 statement of financial position.

There were no transfers between levels of investments during the years ended December 31, 2021 or December 31, 2020.

The following table discloses certain additional information as of December 31, 2021 and 2020 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:

Description	2021 Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions
Investments valued at Net Asset Value:				
Fixed income	\$ 20,909,974	\$ None	Annually	N/A
International equity	93,102,968	None	Monthly to 3-year lock-up period	5-90 days' notice
Domestic equity	179,837,977	None	Daily to quarterly	0-60 days' notice
Hedged equity (Class B)	137,997,390	None	Annually with a 1- year lock-up period	60 days written notice
Hedged equity (Class B3)	5,517,521	None	Annually with a 1- year lock-up period	95 days written notice
Real assets	53,003,300	10,760,009	More than 3 years	N/A
Private equity	61,456,279	17,851,304	More than 3 years	N/A
Total Net Asset Value	\$ 551,825,409	\$ 28,611,313		
Description	2020 Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions
Investments Valued at Net Asset Value:				
Fixed income	\$ 22,743,748	\$ None	Annually	N/A
International equity	104,386,980	None	Monthly to 3-year lock-up period	5-90 days' notice
Domestic equity	183,419,275	None	Daily to quarterly	0-60 days' notice
Hedged equity (Class B)	121,788,412	None	Annually with a 1- year lock-up period	60 days' written notice
Hedged equity (Class B2)	5,983,892	None	Annually beginning 2013 with a 1-year lock-up period	95 days' written notice
Real assets	54,676,555	10,467,129	More than 3 years	N/A
Private equity	39,081,291	26,371,032	More than 3 years	N/A
Total Net Asset Value	\$ 532,080,153	\$ 36,838,161		

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. 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 twenty-two percent (22.4 %) of the fair value of its investments on a monthly basis, and approximately fifty-two percent (52.5%) 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 table presents information about significant unobservable inputs related to the Foundation's investment in Level 3 assets at December 31, 2021 and 2020:

Type	Fair Value		Valuation Technique	Significant Unobservable Inputs	Range
	2021	2020			
Split-interest agreements	\$ 1,176,548	\$ 844,965	Discounted cash flow	Discount rates duration	4.50%

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. Derivatives 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.

Real Assets: The Community Foundation's real assets investments consists 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, 2021 and 2020.

Net investment activity for the years ended December 31, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Realized and unrealized gains	\$ 67,891,904	\$ 114,516,699
Realized and unrealized gains – organization funds	(24,592,430)	(53,141,177)
Interest and dividends	<u>3,834,376</u>	<u>2,728,366</u>
	47,133,850	64,103,888
Less investment management expenses	<u>(8,009,373)</u>	<u>(6,259,135)</u>
Investment gain, net	\$ <u>39,124,477</u>	\$ <u>57,844,753</u>

g. 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, 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 2016, 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, as of December 31, 2021 and 2020.

h. 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 our 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.

i. 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, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 1,535,100	\$ 1,429,465
Accumulated depreciation	<u>(1,321,963)</u>	<u>(1,174,973)</u>
Furniture and equipment, net	<u>\$ 213,137</u>	<u>\$ 254,038</u>

j. 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 with donor restriction 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 restrictions are reclassified to net assets without donor restrictions 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, 2021 and 2020, in the amounts of \$36,469,547 and \$1,033,893, respectively, represent unconditional promises to give that are expected to be collected within one fiscal year.

In accordance with ASU 2018-08, certain governmental grants and contracts received by a not-for-profit, including certain awards to fund capital expenditures, are generally considered to be contributions rather than exchange transactions since there was no commensurate value transferred between the resource provider and The Community Foundation. Revenue from cost-reimbursement grants and contracts is recognized to the extent of costs incurred.

Conditional government grants and contracts not recognized as revenue as of December 31, 2021 and 2020 total \$427,430 and \$410,387. Government grants and contracts are conditioned on incurring qualified program expenses.

k. 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 contribution with donor restrictions 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. 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, 2021, 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, 2021 and 2020, is summarized below:

	<u>2021</u>	<u>2020</u>
Grants payable, beginning of year	\$ 757,862	\$ 1,625,015
Grants approved	40,703,133	39,430,538
Grant payments distributed	(39,688,452)	(39,962,630)
Cancellations and adjustments	<u>(978,681)</u>	<u>(335,061)</u>
Grants payable, end of year	\$ <u>793,862</u>	\$ <u>757,862</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 in the statement of functional expenses. 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 of 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 on investments on the combined statements of activities, and the value is disclosed thereon, as further set forth and quantified in footnote f, 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 notes receivables to grants to meet The Community Foundation's charitable purposes. Included on the Mission Related Investments (MRI) on the statements of financial position as of December 30, 2021 and 2020 are \$7,721,518 and \$6,871,518, respectively, in notes receivable. The notes bear interest from 2% - 7%. The Community Foundation considers the balances to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

Future payments to be received under these agreements as of December 31, 2021 are as follows:

<u>Year Ending December 31</u>	<u>Amounts</u>
2022	\$ 100,000
2023	5,799,018
2024	-
2025	322,500
2026	450,000
Thereafter	<u>1,050,000</u>
Total	\$ <u>7,721,518</u>

p. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts and disclosures in the 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 28, 2022, 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 without donor restrictions classifications:

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.

Unrestricted: 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, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Unrestricted net assets:		
Designated	\$ 195,032,150	\$ 152,424,213
Donor advised	86,023,775	78,139,360
Preference	114,623,887	110,968,991
Unrestricted	<u>101,590,064</u>	<u>101,089,900</u>
	497,269,876	442,622,464
Net assets with donor restrictions	<u>1,893,404</u>	<u>1,567,687</u>
Total net assets	\$ <u>499,163,280</u>	\$ <u>444,190,151</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, \$30,730,965 and \$40,079,176 were provided for during the years ended December 31, 2021 and 2020, respectively.

Note 4 - 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 employees' earnings. Total retirement plan contributions were \$401,167 and \$379,324 for the years ended December 31, 2021 and 2020, 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 year ended December 31, 2021.

Note 5 - Availability and Liquidity:

The following represents The Foundation's liquid financial assets at December 31, 2021 and 2020:

Financial assets at year end:	2021	2020
Cash and cash equivalents	\$19,902,590	\$17,079,092
Contributions receivable	36,469,547	1,033,893
Short-term Investments	5,264,941	6,505,208
Total liquid financial assets	<u>61,637,078</u>	<u>24,618,193</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>1,893,404</u>	<u>1,567,687</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$59,743,674</u>	<u>\$23,050,506</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 6 - Leases:

The Foundation leases office space under a non-cancelable operating lease with an initial term expiring November 30, 2022.

Future lease payments under this lease as of December 31, 2021 are as follows:

<u>Year Ending</u> <u>December 31,</u> 2022	<u>Amounts</u> \$124,452
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The Affiliate leases office space under a non-cancelable operating lease, now in its second term, expiring December 31, 2021. The Affiliate expects to enter into a new non-cancelable operating lease. Future lease payments under this new lease has not yet been negotiated.

Lease expense under operating leases totaled \$338,441 and \$324,606 for the years ended December 31, 2021 and 2020, respectively.

Note 7 - MRI Line of Credit:

The Mission Investments Subsidiary has access to a line of credit for borrowing up to of \$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 \$85,206,694 (the "Collateral Account") as both an asset and liability of equal value, as fairly and independently measured at each fiscal year end. The rate of interest for this credit access is equal to Prime Rate minus 1.55%, but not less than 1%, which as of December 31, 2021 was 1.70%. The availability period for this Line of Credit is through January 29, 2024. As of December 31, 2021 and 2020, \$33,290,655 and \$22,037,748, respectively has been drawn on the Line of Credit to implement approved MRIs and are fully secured by the Collateral Account.

Note 8 - Nonprofit Loan Guaranty:

The Mission Investments Subsidiary maintained 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, in fiscal year 2021. 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, with each underlying nonprofit loan guaranteed up to fifty percent. As of December 31, 2020, the total amount guaranteed was \$150,000 for one loan. As of December 31, 2021, the total amount guaranteed was \$657,221 and comprised of four nonprofit loans. Each guarantee is in effect and continuing until the debt is paid in full. Performance by the guarantor would be called upon an event of default, and would be payable within ten (10) days of formal written notice from CDFI-1. At December 31, 2021, the four nonprofits are in full compliance with their underlying debt obligations to CDFI-1.

In fiscal year 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 established in the amount \$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 Coronavirus. At December 31 2021, 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. Of the available and committed capital, approximately forty percent was deployed in the region.

In fiscal year 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. 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, 2021, the total amount guaranteed was \$546,598 and comprised of 18 loans, 61% were to women-owned enterprises and 78% were to founders of color. Each guarantee is in effect and continuing until the debt is paid in full. Performance by the guarantor would be called upon an event of default, and would be payable within ten (10) days of formal written notice from CDFI-3. At December 31, 2021, the loans are in full compliance with their underlying debt obligations to CDFI-3.

Note 9 - Paycheck Protection Program Loan Payable:

On April 22, 2020, the Foundation received a Paycheck Protection Program (PPP) loan in the amount of \$787,615 from a local financial institution and the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). All or a portion of this PPP loan may be forgivable based on the amount of qualifying expenses incurred and levels of employee headcount and salaries maintained during a prescribed measurement period. The Foundation considers the PPP loan to be debt and, accordingly, will record the amount of forgiveness, if any, when legally released by the lender and SBA. The full amount of the loan, including accrued interest, was forgiven by the lender and the SBA on May 10, 2021. Forgiveness of the loan is subject to audit for a period of six years.

Note 10 - Line of Credit:

On January 29, 2021, The Foundation closed on a \$15,000,000 line of credit with Liberty Bank related to the organizations *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, 2021 was 3.00%. As of December 31, 2021, \$3,255,565 has been drawn on the Line of Credit.

Note 11 - Coronavirus:

The declaration in March, 2020 of a coronavirus pandemic, and the resulting governmental actions instituted around the world, had substantial and meaningful global economic impact through the implementation of both fiscal and monetary policies. These pandemic-related governmental actions produced significant dislocation and adverse impact on the world's economies in calendar year 2020, which also created historic volatility within the world's investment markets. As a result, this significant market volatility translated to the Organization's investment portfolio, which experienced substantive variability of return streams during the year ended December 31, 2020. The then current fair market value of The Organization's investments may have been materially different from the amounts presented on the statement of financial position as of December 31, 2020. For the year ended December 31, 2021, the global financial markets and the Organization's portfolio experienced substantially less volatility, although certain time-periods contained heightened and concentrated variability and market stress in certain asset classes. As a long-term, perpetual investor and endowment steward, these periods of short-term volatility occur periodically and are expected. The global pandemic is still ongoing and, therefore, the total potential impact it may have on the Organization's investments cannot be reasonably determined at this time.