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THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE

COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE

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Independent Auditors' Report

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

Report on the Combined Financial Statements

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, 2019 and 2018, 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.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

An independent member of Baker Tilly International

Opinion

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, 2019 and 2018, 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.

Change in Accounting Principle

As discussed in Note 1, during the year ended December 31, 2019, The Community Foundation for Greater New Haven and Affiliate, as a resource recipient, adopted the contributions received guidance under Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2020 on our consideration of The Community Foundation for Greater New Haven'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'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's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
February 28, 2020

THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 35,709,002	$ 8,928,416
Investments at market value - component funds	355,943,379	334,255,344
Investments at market value - organization funds	203,578,076	173,623,578
Investments at market value - MRI investment funds	56,579,191	40,580,807
Investment in real estate	3,169,303	3,169,303
Total investments	654,978,951	560,557,448
Mission Related Investments (MRI)	15,381,905	7,469,125
Contributions receivable	2,490,898	1,365,221
Grants receivable	438,831	675,463
Split-interest agreements	736,318	528,993
Other assets	46,185	67,808
Furniture and equipment, net	384,022	321,352
Total Assets	$ 674,457,110	$ 570,985,410
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 570,655	$ 673,100
Mission Related Investments - line of credit obligation	11,164,701	3,500,000
Organization funds	203,578,076	173,623,578
MRI investment funds	56,579,191	40,580,807
Liabilities under split-interest agreements	397,871	389,647
Deferred revenue	66,550	55,829
Grants payable	1,625,015	2,313,520
Total liabilities	273,982,059	221,136,481
Net Assets		
Without donor restrictions	398,560,776	348,712,212
With donor restrictions	1,914,275	1,136,717
Total net assets	400,475,051	349,848,929
Total Liabilities and Net Assets	$ 674,457,110	$ 570,985,410

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, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support						
Contributions	$ 34,314,864	$ 502,648	$ 34,817,512	$ 18,146,491	$ 68,178	$ 18,214,669
Less transfers to MRI investment funds	-	-	-	(2,000,000)	-	(2,000,000)
Less transfers to organization funds	(13,840,814)	-	(13,840,814)	(7,046,735)	-	(7,046,735)
Net contributions	20,474,050	502,648	20,976,698	9,099,756	68,178	9,167,934
Investment gain (loss), net	55,689,824	-	55,689,824	(22,010,435)	-	(22,010,435)
Change in value of split-interest agreements, net	-	274,910	274,910	-	(232,731)	(232,731)
Total revenue, gains and other support	76,163,874	777,558	76,941,432	(12,910,679)	(164,553)	(13,075,232)
Expense						
Grants and distributions approved, net	31,225,957	-	31,225,957	31,585,595	-	31,585,595
Grants for program management and direct grant activities	3,159,746	-	3,159,746	3,051,844	-	3,051,844
Total grants expense	34,385,703	-	34,385,703	34,637,439	-	34,637,439
Less distributions from organization funds	(12,168,317)	-	(12,168,317)	(11,855,906)	-	(11,855,906)
Net grant expense	22,217,386	-	22,217,386	22,781,533	-	22,781,533
Financial, endowment, investment management and MRI management	1,650,497	-	1,650,497	1,660,533	-	1,660,533
Development, donor services and fund stewardship	1,150,608	-	1,150,608	1,090,022	-	1,090,022
Management, leadership and operations	1,296,819	-	1,296,819	1,047,918	-	1,047,918
Total administration expense	4,097,924	-	4,097,924	3,798,473	-	3,798,473
Total expense	26,315,310	-	26,315,310	26,580,006	-	26,580,006
Increase (Decrease) in Net Assets	49,848,564	777,558	50,626,122	(39,490,685)	(164,553)	(39,655,238)
Net Assets - Beginning of Year	348,712,212	1,136,717	349,848,929	388,202,897	1,301,270	389,504,167
Net Assets - End of Year	$ 398,560,776	$ 1,914,275	$ 400,475,051	$ 348,712,212	$ 1,136,717	$ 349,848,929

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, 2019

	Program Services			Supporting Services			
	Grants Awarded and Programs	Other Program Expenses	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	Total Foundation Services
Grants to community	$ 31,225,957	$ -	$ 31,225,957	$ -	$ -	$ -	$ 31,225,957
Salaries and wages	-	1,795,014	1,795,014	1,670,382	653,951	2,324,333	4,119,347
Employee benefits and employment taxes	-	508,134	508,134	482,984	184,342	667,326	1,175,460
Consultants	-	65,031	65,031	51,369	24,395	75,764	140,795
Depreciation	-	55,816	55,816	55,472	20,063	75,535	131,351
Dues and fees	-	143,293	143,293	144,516	51,344	195,860	339,153
General	-	1,138	1,138	286	474	760	1,898
Information management, technology and maintenance	-	109,558	109,558	104,922	39,685	144,607	254,165
Insurance	-	26,228	26,228	24,025	9,585	33,610	59,838
Marketing, outreach and special events	-	136,750	136,750	114,121	50,830	164,951	301,701
Meetings	-	74,786	74,786	74,228	26,889	101,117	175,903
Occupancy	-	140,005	140,005	128,073	51,176	179,249	319,254
Professional fees	-	52,767	52,767	47,756	19,327	67,083	119,850
Supplies	-	25,584	25,584	23,061	9,378	32,439	58,023
Travel	-	6,382	6,382	6,403	2,290	8,693	15,075
Utilities	-	19,260	19,260	19,718	6,879	26,597	45,857
Total Expenses	$ 31,225,957	$ 3,159,746	$ 34,385,703	$ 2,947,316	$ 1,150,608	$ 4,097,924	$ 38,483,627

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, 2018

	Program Services			Supporting Services			
	Grants Awarded and Programs	Other Program Expenses	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	Total Foundation Services
Grants to community	$ 31,585,595	$ -	$ 31,585,595	$ -	$ -	$ -	$ 31,585,595
Salaries and wages	-	1,688,162	1,688,162	1,510,348	601,825	2,112,173	3,800,335
Employee benefits and employment taxes	-	478,045	478,045	436,080	169,639	605,719	1,083,764
Consultants	-	81,664	81,664	63,049	30,048	93,097	174,761
Depreciation	-	57,628	57,628	48,371	20,842	69,213	126,841
Dues and fees	-	36,287	36,287	32,920	12,894	45,814	82,101
General	-	12,924	12,924	11,846	4,579	16,425	29,349
Information management, technology and maintenance	-	122,109	122,109	108,892	43,566	152,458	274,567
Insurance	-	24,100	24,100	20,466	8,694	29,160	53,260
Marketing, outreach and special events	-	152,481	152,481	126,749	55,261	182,010	334,491
Meetings	-	83,008	83,008	74,478	29,572	104,050	187,058
Occupancy	-	129,910	129,910	114,272	46,495	160,767	290,677
Professional fees	-	115,802	115,802	95,981	41,995	137,976	253,778
Supplies	-	44,410	44,410	40,390	15,771	56,161	100,571
Travel	-	4,705	4,705	4,480	1,652	6,132	10,837
Utilities	-	20,609	20,609	20,129	7,189	27,318	47,927
Total Expenses	$ 31,585,595	$ 3,051,844	$ 34,637,439	$ 2,708,451	$ 1,090,022	$ 3,798,473	$ 38,435,912

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, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ 50,626,122	$ (39,655,238)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	131,351	126,841
Realized and unrealized (gain) loss on investments	(55,956,134)	22,284,581
(Increase) decrease in operating assets:		
MRI investments	(7,912,780)	(4,800,000)
Contributions receivable	(1,125,677)	(1,078,064)
Grants receivable	236,632	250,241
Split-interest agreements	(207,325)	74,234
Other assets	21,623	(28,647)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(102,445)	190,659
MRI investments	15,998,384	(3,669,746)
Organization funds	29,954,498	(10,272,007)
Liabilities under split-interest agreements	8,224	4,042
Deferred revenue	10,721	55,829
Grants payable	(688,505)	712,314
Net cash provided by (used in) operating activities	30,994,689	(35,804,961)
Cash Flows from Investing Activities		
Proceeds from sales of investments	170,175,307	235,660,669
Purchases of investments	(181,860,090)	(201,476,881)
Purchases of furniture and equipment	(194,021)	(74,063)
Net cash provided by (used in) investing activities	(11,878,804)	34,109,725
Cash Flows from Financing Activities		
Proceeds from line of credit	7,664,701	3,500,000
Net cash provided by financing activities	7,664,701	3,500,000
Net Increase in Cash and Cash Equivalents	26,780,586	1,804,764
Cash and Cash Equivalents - Beginning of Year	8,928,416	7,123,652
Cash and Cash Equivalents - End of Year	$ 35,709,002	$ 8,928,416

The accompanying notes are an integral part of the 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, 2019, 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 shall 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 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 related 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 for a fully-collateralized and secured line of credit facility for up to twenty-five million dollars and maintains a limited liability by the Foundation only to that collateral, which would enable the Corporation 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.

Change in Accounting Principle

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendment clarifies guidance on how an entity determines whether a transfer of assets is a contribution or exchange transaction. The amendment also clarifies the determination of conditional contributions based on evaluating whether there is a right of return and a barrier to overcome. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified prospective method, in which case the effect of applying the standard would be recognized for any agreements not completed and any new agreements entered into at the date of initial application. The new standard is effective for annual reporting periods beginning after December 15, 2018 for resource recipients and for annual reporting periods beginning after December 15, 2019 for resource providers. Management has adopted ASU 2018-08, as a resource recipient, for the year ended December 31, 2019. Management will adopt ASU 2018-08 as a resource provider for the year ending December 31, 2020 and is still considering the impact of adoption as a resource provider. The amendments have been applied using the modified prospective method. There was no cumulative effect of applying ASU 2018-08.

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 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 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 $13,840,814 and $12,168,317, respectively, for the year ended December 31, 2019, and $7,046,735 and $11,855,906, respectively, for the year ended December 31, 2018.

The amounts received but not yet distributed totaled $203,578,076 and $173,623,578 at December 31, 2019 and 2018, 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 which 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 real assets, which include asset classes such as private equity, real estate and natural resources. Because most 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, 2019 is as follows:

Description	**Total**	**Level 1**	**Level 2**	**Level 3**	**Investments Valued at NAV (a)**
Short-term investments	$ 4,507,461	$ 4,507,461	$ -	$ -	$ -
Fixed income	92,755,133	70,927,304	-	-	21,827,829
Equities:					
International	112,709,796	22,884,631	-	-	89,825,165
Domestic	225,957,306	73,937,779	-	-	152,019,527
Alternatives:					
Hedged equity	101,144,616	-	-	-	101,144,616
Real assets	48,846,769	-	-	-	48,846,769
Private equity	30,179,565	-	-	-	30,179,565
Investments as of December 31, 2019	616,100,646	172,257,175	-	-	443,843,471
Split-interest agreements	736,318	-	-	736,318	-
Total assets at fair value as of December 31, 2019	$ 616,836,964	$ 172,257,175	$ -	$ 736,318	$ 443,843,471
Percent of Total	100%	27.9%	0.0%	0.1%	72.0%

The fair value of The Community Foundation's investments as of December 31, 2018 is as follows:

Description	Total	Level 1	Level 2	Level 3	Investments Valued at NAV (a)
Short-term investments	$ 4,300,669	$ 4,300,669	$ -	$ -	$ -
Fixed income	95,428,606	71,176,769	-	-	24,251,837
Equities:					
International	116,893,960	46,183,318	-	-	70,710,642
Domestic	155,934,171	25,221,358	-	-	130,712,813
Alternatives:					
Hedged equity	95,101,783	-	-	-	95,101,783
Absolute return	9,700,943	-	-	-	9,700,943
Real assets	44,691,254	-	-	-	44,691,254
Private equity	26,408,343	-	-	-	26,408,343
Investments as of December 31, 2018	548,459,729	146,882,114	-	-	401,577,615
Split-interest agreements	528,993	-	-	528,993	-
Total assets at fair value as of December 31, 2018	$ 548,988,722	$ 146,882,114	$ -	$ 528,993	$ 401,577,615
Percent of Total	100%	26.8%	0.0%	0.1%	73.1%

(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 these tables 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, 2019 or December 31, 2018.

The following table discloses certain additional information as of December 31, 2019 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	Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions
Investments Valued at Net Asset Value:				
Fixed income	$ 21,827,829	$ None	Annually	N/A
International equity	89,825,165	None	Monthly to 3-year lock-up period	5-90 days' notice
Domestic equity	152,019,527	None	Daily to quarterly	0-60 days' notice
Hedged equity (Class B)	94,767,319	None	Annually with a 1-year lock-up period	60 days written notice
Hedged equity (Class B2)	6,377,297	None	Annually beginning 2013 with a 1-year lock-up period	95 days written notice
Real assets	48,846,769	12,220,290	More than 3 years	N/A
Private equity	30,179,565	25,119,905	More than 3 years	N/A
Total Net Asset Value	$ 443,843,471	$ 37,340,195		

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 forty percent (40%) of the fair value of its investments on a monthly basis, and just under fifty percent (48.2%) of the fair value of its investments on a quarterly basis.

<u>**Assets Measured at Fair Value on a Recurring Basis Using Significant (Level 3) Inputs:**</u> 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, 2019 and 2018:

	Split-Interest Agreements
Fair value as of December 31, 2017	$ 603,227
Change in value of split-interest agreements	(74,234)
Fair value as of December 31, 2018	528,993
Change in value of split-interest agreements	207,325
Fair value as of December 31, 2019	$ 736,318

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 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, 2019 and 2018.

Investment activity for the years ended December 31, 2019 and 2018 consisted of the following:

	2019	2018
Realized and unrealized gains (losses)	$ 55,956,134	$ (22,284,581)
Interest and dividends	3,909,094	3,867,188
	59,865,228	(18,417,393)
Less investment management expenses	(4,175,404)	(3,593,042)
Investment gain (loss), net	$ 55,689,824	$ (22,010,435)

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, 2019 and 2018.

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 promote inclusive growth 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. In creating this new capacity, The Community Foundation will examine the potential mission investment by assessing it against a set of impact goals, that:

a) Support organizations and projects in ways that align with and further the Foundation's mission including those that provide the opportunity to partner with donors and to otherwise bring individuals, businesses and organizations together to improve the community;
b) Contribute to and generate longer-term inclusive growth in our community, building on the competitive strengths of our region and including the talent and entrepreneurial drive of our people, including an emphasis on entrepreneurs of color and women entrepreneurs;
c) Contribute significantly to neighborhood revitalization, particularly in neighborhoods that have suffered from social decline and economic disinvestment; and
d) Support and strengthen nonprofit organizations by providing access to financial capital outside of The Foundation's traditional grantmaking activities.

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, 2019 and 2018 are as follows:

	2019	2018
Furniture and equipment	$ 1,429,465	$ 1,231,994
Accumulated depreciation	(1,045,443)	(910,642)
Furniture and equipment, net	$ 384,022	$ 321,352

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 (i.e., a donor stipulation that includes a barrier that must be overcome and a right of release from obligation) 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, 2019 and 2018, in the amounts of $2,490,898 and $1,365,221, 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, 2019 total $376,662. 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 contribution with donor restrictions 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.

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, 2019, 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, 2019 and 2018 is summarized below:

	2019	2018
Grants payable, beginning of year	$ 2,313,520	$ 1,601,206
Grants approved	37,705,632	29,587,094
Grant payments distributed	(38,342,222)	(28,912,954)
Cancellations and adjustments	(51,915)	38,174
Grants payable, end of year	$ 1,625,015	$ 2,313,520

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 an 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 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 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, 2020, 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, 2019 and 2018 consisted of the following:

	2019	2018
Net assets without donor restrictions:		
Designated	$ 134,673,908	$ 121,209,452
Donor-advised	65,355,808	56,082,060
Preference	94,514,775	86,034,047
Unrestricted	104,016,285	85,386,653
	398,560,776	348,712,212
Net assets with donor restrictions	1,914,275	1,136,717
Total net assets	$ 400,475,051	$ 349,848,929

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, $35,423,827 and $33,037,454 were provided for during the years ended December 31, 2019 and 2018, 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 $356,430 and $366,439 for the years ended December 31, 2019 and 2018, respectively.

During the year ended December 31, 2018, 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, 2019 and 2018.

Note 5 - **Availability and Liquidity**

The following represents The Community Foundation's liquid financial assets at December 31, 2019 and 2018:

Financial assets at year end:	2019	2018
Cash and cash equivalents	$ 35,709,002	$ 8,928,416
Contributions receivable	2,490,898	1,365,221
Short-term investments	4,507,461	4,300,668
Total liquid financial assets	42,707,361	14,594,305
Less amounts not available to be used within one year:		
Net assets with donor restrictions	1,914,275	1,136,717
Financial assets available to meet general expenditures over the next twelve months	$ 40,793,086	$ 13,457,588

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 $1.7 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 noncancelable operating lease with an initial term expiring November 30, 2022.

Future lease payments under this lease as of December 31, 2019 are as follows:

Year Ending December 31	Amounts
2020	$112,881
2021	$115,525
2022	$124,452

The Affiliate leases office space under a noncancelable operating lease, now in its second term, expiring December 31, 2021.

Future lease payments under this lease as of December 31, 2019 are as follows:

Year Ending December 31	Amounts
2020	$13,500
2021	$13,500

Lease expense under operating leases totaled $121,364 and $112,047 for the years ended December 31, 2019 and 2018, respectively.

Note 7 - **MRI Line of Credit**:

The Mission Investments Subsidiary has access to a line of credit for borrowing up to of $25,000,000 (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 does not extend to any other charitable assets 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 combined statements of financial position in the amount of $56,579,191 (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 LIBOR plus 1.65%, which as of December 31, 2019 was 3.43%. The availability period of this line of credit is through December 19, 2020. As of December 31, 2019, $11,164,701 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 has entered into an agreement with a local nonprofit lending institution to further and deepen its strategy for making MRIs in businesses and nonprofit organizations in the Greater New Haven. The Mission Investments Subsidiary has committed to providing a fifty percent (50%) noncash guarantee on certain loans and/or credit lines to nonprofits, at its sole discretion and approved in advance by the Mission Investments Subsidiary. Under this program, the cumulative maximum potential amount of all guarantees is $1,500,000 with each underlying nonprofit loan guaranteed up to fifty percent (50%). As of December 31, 2019, the total amount guaranteed is $310,017 comprised of two 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 by the nonprofit lending institution. At December 31, 2019, both nonprofits are in full compliance with their underlying debt obligations.