
NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Annual Audited Financial Statements

For the Year Ended December 31, 2023

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Audited Financial Statements

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For the Year Ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Northwest Connecticut Community Foundation

We have audited the accompanying financial statements of the Northwest Connecticut Community Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northwest Connecticut Community Foundation, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Northwest Connecticut Community Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Northwest Connecticut Community Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.


In performing an audit in accordance with generally accepted auditing standards, 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 related 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 Northwest Connecticut Community Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Northwest Connecticut Community Foundation's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Northwest Connecticut Community Foundation's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 24, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it was derived.



King, King & Associates, CPAs
Winsted, CT
May 15, 2024

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Statement of Financial Position
December 31, 2023
(With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2023	2022
ASSETS:				
Cash and Cash Equivalents	\$ 1,329,698	\$ 15,895	\$ 1,345,593	\$ 3,426,684
Prepaid Expenses	50,803	-	50,803	59,495
Contributions Receivable	3,177,000	-	3,177,000	1,799,000
Other Receivables	-	-	-	21,000
Investments	141,168,422	120,000	141,288,422	122,782,633
Security Deposit	3,150	-	3,150	3,150
Beneficial Interest in Remainder Trusts	-	981,273	981,273	2,074,136
Beneficial Interest in Perpetual Trust	239,569	-	239,569	224,643
Operating Lease Right of Use Asset, net	152,428	-	152,428	194,056
Fixed Assets, net	120,183	-	120,183	132,436
Total Assets	<u>\$ 146,241,253</u>	<u>\$ 1,117,168</u>	<u>\$ 147,358,421</u>	<u>\$ 130,717,233</u>
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 27,109	\$ -	\$ 27,109	\$ 22,574
Grants Payable	3,369,000	-	3,369,000	3,232,489
Agency Endowment Funds	25,751,254	-	25,751,254	21,509,063
Charitable Remainder Gift Annuity Liability	-	605,826	605,826	389,923
Operating Lease Obligation	152,428	-	152,428	194,056
Total Liabilities	<u>29,299,791</u>	<u>605,826</u>	<u>29,905,617</u>	<u>25,348,105</u>
Net Assets:				
Without Donor Restrictions	116,941,462	-	116,941,462	103,558,386
With Donor Restrictions	-	511,342	511,342	1,810,742
Total Net Assets	<u>116,941,462</u>	<u>511,342</u>	<u>117,452,804</u>	<u>105,369,128</u>
Total Liabilities and Net Assets	<u>\$ 146,241,253</u>	<u>\$ 1,117,168</u>	<u>\$ 147,358,421</u>	<u>\$ 130,717,233</u>

The accompanying notes are an integral part of this financial statement.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Statement of Activities
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

		Without Donor Restrictions	With Donor Restrictions	Totals	
				2023	2022
Revenues, Gains and Other Support:					
Fund Contributions	\$ 4,382,435				
Less: Contributions to Agency Funds	<u>(1,052,385)</u>	\$ 3,330,050	\$ 26,554	\$ 3,356,604	\$ 10,319,156
CIV of Split-Interest Agreements		-	(1,308,766)	(1,308,766)	489,876
Initiative Contributions		24,150	-	24,150	45,090
Fundraising Events	27,970				
Less: Direct Donor Benefits	<u>(7,744)</u>	20,226	-	20,226	2,611
Investment Return		16,438,922	-	16,438,922	(15,136,261)
Contract Related Administrative Fees		25,500	-	25,500	31,000
Unfulfilled Grant Awards		5,475	-	5,475	-
Administrative Fees		195,431	-	195,431	190,421
Seminar Income		2,940	-	2,940	-
Net Assets Released from Restrictions		<u>17,188</u>	<u>(17,188)</u>	<u>-</u>	<u>-</u>
<i>Total Revenues</i>		20,059,882	(1,299,400)	18,760,482	(4,058,107)
Expenses:					
Direct Community Support		5,073,391	-	5,073,391	4,611,745
Program Services		965,241	-	965,241	911,977
Management and General		487,233	-	487,233	427,595
Fundraising		<u>149,045</u>	<u>-</u>	<u>149,045</u>	<u>134,849</u>
<i>Total Expenses</i>		<u>6,674,910</u>	<u>-</u>	<u>6,674,910</u>	<u>6,086,166</u>
<i>Changes in Net Assets Before Other Changes</i>		<u>13,384,972</u>	<u>(1,299,400)</u>	<u>12,085,572</u>	<u>(10,144,273)</u>
Other Changes in Net Assets:					
Loss on Disposal of Fixed Assets		<u>(1,896)</u>	<u>-</u>	<u>(1,896)</u>	<u>-</u>
<i>Total Other Changes in Net Assets</i>		<u>(1,896)</u>	<u>-</u>	<u>(1,896)</u>	<u>-</u>
Changes in Net Assets		<u>13,383,076</u>	<u>(1,299,400)</u>	<u>12,083,676</u>	<u>(10,144,273)</u>
Net Assets - Beginning of Year		<u>103,558,386</u>	<u>1,810,742</u>	<u>105,369,128</u>	<u>115,513,401</u>
Net Assets - End of Year		<u>\$ 116,941,462</u>	<u>\$ 511,342</u>	<u>\$ 117,452,804</u>	<u>\$ 105,369,128</u>

The accompanying notes are an integral part of this financial statement.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Statements of Cash Flows
December 31, 2023 and 2022

	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 12,083,676	\$ (10,144,273)
Adjustments:		
Realized and Unrealized (Gain)/Loss on Investments	(13,917,971)	16,531,644
Depreciation & Amortization	27,649	14,523
Loss on Disposal of Fixed Assets	1,896	-
Amortization of Right of Use asset reported as Lease Expense	41,628	39,842
Decrease/(Increase) in Assets:		
Prepaid Expenses	8,692	(40,826)
Contribution Receivable	(1,378,000)	(1,568,242)
Inventory	21,000	(21,000)
Beneficial Interest in Remainder Trusts	1,092,863	(182,562)
Beneficial Interest in Perpetual Trust	(14,926)	51,282
Increase/(Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	4,535	13,442
Grants Payable	136,511	(2,956)
Charitable Remainder Gift Annuity Liability	215,903	(307,314)
Operating Lease Obligation	(41,628)	(39,842)
<i>Net cash flow provided (used) from operating activities</i>	<u>(1,718,172)</u>	<u>4,343,718</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Equipment	(17,292)	(25,809)
Purchases of Investments	(39,150,358)	(9,237,599)
Proceeds of Investments	38,804,731	5,111,853
<i>Net cash flow (used) provided by investing activities</i>	<u>(362,919)</u>	<u>(4,151,555)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Repayment of Finance Lease	-	(1,940)
<i>Net cash flow (used) provided by financing activities</i>	<u>-</u>	<u>(1,940)</u>
<i>Net increase/(decrease) in cash flows</i>	(2,081,091)	190,223
Cash at Beginning of Year	3,426,684	3,236,461
Cash at End of Year	<u>\$ 1,345,593</u>	<u>\$ 3,426,684</u>
Supplemental Disclosure:		
Interest Paid	\$ -	\$ 294
Income Taxes Paid	\$ -	\$ -

The accompanying notes are an integral part of this financial statement.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Statement of Functional Expenses For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

	Direct Community Support	Programs	Management & General	Fundraising	Totals	
					2023	2022
Grants	\$ 5,005,863	\$ -	\$ -	\$ -	\$ 5,005,863	\$ 4,245,570
Scholarships	383,725	-	-	-	383,725	291,175
Pass-Through Grants	133,890	-	-	-	133,890	533,320
Less: Agency Fund Grants	(450,087)	-	-	-	(450,087)	(458,320)
Initiative Expenses	-	26,480	-	-	26,480	41,643
Salaries	-	628,247	329,331	91,248	1,048,826	943,072
Payroll Taxes and Benefits	-	129,524	67,897	18,812	216,233	197,997
Strategic Planning	-	1,187	622	173	1,982	-
Advertising/Marketing	-	6,516	3,416	946	10,878	26,620
Computer Costs	-	35,053	18,375	5,092	58,520	60,391
Website	-	7,198	3,773	1,046	12,017	8,524
Insurance	-	5,441	2,852	791	9,084	8,993
Supplies	-	5,048	2,646	733	8,427	4,185
Telephone	-	5,285	2,770	768	8,823	9,298
Postage and Shipping	-	1,908	1,000	277	3,185	3,417
Occupancy	-	35,473	18,595	5,153	59,221	57,189
Office Maintenance & Repair	-	2,748	1,440	399	4,587	4,023
Auto Expenses	-	4,016	2,105	584	6,705	6,878
Printing and Publications	-	1,366	716	198	2,280	5,165
Travel	-	62	32	9	103	-
Depreciation & Amortization	-	16,562	8,682	2,405	27,649	14,523
Dues & Subscriptions	-	10,506	5,508	1,526	17,540	17,503
Professional Fees	-	14,156	7,421	2,056	23,633	21,690
Board Expenses	-	5,265	2,760	765	8,790	12,135
Non-Profit Educational Seminars	-	14,121	-	-	14,121	82
Annual Appeal	-	-	-	5,413	5,413	8,986
Conferences	-	-	623	-	623	170
Copier	-	4,698	2,463	682	7,843	7,588
Miscellaneous	-	2,041	1,070	297	3,408	4,925
Interest Expense	-	-	-	-	-	294
Contracted Office Support	-	-	-	-	-	225
Human Resources Expenses	-	-	3,136	-	3,136	
Fund Expenses:						
Community Education	-	2,340	-	-	2,340	4,601
Printing & Postage	-	-	-	7,457	7,457	2,940
Design	-	-	-	-	-	275
Supplies	-	-	-	1,230	1,230	
Other	-	-	-	985	985	1,089
Total Expenses	\$ 5,073,391	\$ 965,241	\$ 487,233	\$ 149,045	\$ 6,674,910	\$ 6,086,166

See Accountant's Report.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Foundation

The Northwest Connecticut Community Foundation (the Foundation) is a tax-exempt, non-profit organization, autonomous, publicly supported, non-sectarian philanthropic institution with a long-term goal of building permanent, named component funds established by many separate donors for the broad-based benefit of the residents of Barkhamsted, Bethlehem, Canaan, Colebrook, Cornwall, Goshen, Hartland, Harwinton, Kent, Litchfield, Morris, New Hartford, Norfolk, North Canaan, Sharon, Salisbury, Torrington, Warren, Washington, and Winsted. The Foundation will, as designated by a donor's gift instrument, expand the scope of its philanthropic activities and initiatives without restriction, to any geographic location. Income and appreciation from investments, based on a total return approach is distributed in the form of grants and scholarships annually to qualified public charities and students as chosen by the Foundation's Board of Directors. Its mission is to enrich the quality of life for residents of Northwest Connecticut by inspiring local philanthropy, convening stakeholders in the community welfare, strengthening the regional non-profit network and fostering collaborative funding partnerships.

The financial statements include the combined accounts of the various funds held in trust for the Foundation, various other trusts, a Type 1 supporting organization, and a Type 1 multi-member supporting organization. All significant transactions and balances between these funds and trusts have been eliminated.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Revenue is recognized when earned and expenditures when incurred.

Income Tax Status

The Foundation is classified as a non-profit foundation exempt from federal income taxes under Section 501(c)(3) and 509(a)(1) of the Internal Revenue Code.

Variance Power

Generally accepted accounting principles in the United States of America provide that if the governing body of an organization has the unilateral power to redirect the use of a donor's contributions to another beneficiary, such contributions must be classified as new assets without donor restrictions. The Board of Directors of the Foundation has that ability known as variance power. The Board of Directors has adopted a policy describing the criteria and limited circumstances under which the Foundation would exercise this power. Accordingly, the Foundation's financial statements classify substantially all funds, including the corpus of the funds, as net assets without donor restrictions, but segregate for internal management and invested fund record keeping the portion that is held as invested funds from the funds that are currently available for grants administration. Net assets with donor restrictions represent charitable remainder trusts, amounts receivable in future periods, and restricted grant funds.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires estimates by management. The actual results of operations may differ from management's estimates.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments without donor restrictions, and with an initial maturity of three months or less, to be cash equivalents. Cash equivalents maintained in investment accounts for re-investment or as a low-risk investment option are excluded from cash and are reported as investments.

Endowment

The Financial Accounting Standards Board (FASB) issued staff position No. FAS 117-1: *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* (FAS 117-1). FAS 117-1 provides accounting standards on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). FAS 117-1 also provides for other disclosures concerning an organization's endowment funds and whether or not the organization is subject to UPMIFA. The State of Connecticut adopted its version of UPMIFA, which became effective October 1, 2007 (CTPMIFA). Prior to the issuance of FAS 117-1, accumulated gains and income on endowment assets with donor restrictions were classified as net assets without donor restrictions in accordance with the Uniform Management of Institutional Funds Act (UMIFA). Under SP No. 117-1, accumulated gains and income on donor-restricted endowment assets of perpetual duration are classified as net assets with donor restrictions until appropriated for expenditure.

Investments

Substantially all marketable investments in equities and debt securities are carried at fair value based upon quoted market prices. Real estate investments are typically received through estates and are carried at the value determined by the estate appraisal. For limited marketability investments, including alternative investments, which are principally absolute return strategies, private equity, hedged equity and real estate, the carrying value is the estimated fair value as determined by the general partner in these limited partnerships. Because alternative investments are not immediately marketable given the nature of the underlying strategies and the terms of the governing partnership agreements, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that may be received if a ready market for the investments had been in existence, and the difference could be material. The Foundation's alternative investments accessed through limited partnerships are determined by the general partner to be at fair value pursuant to FASB ASC 820-10, as further discussed below, after it considers certain pertinent factors, including, but not limited to, the partner's share of the underlying limited partnership's net assets, liquidity features of the partnership, the underlying portfolio of holdings, the current market conditions for observable, corroborated or correlated transactions, comparable or similar products' fair valuations, external assessments of the limited partnerships' holdings and the audit opinion from the independent auditor of the limited partnership.

The Foundation also holds a limited amount of non-publicly traded investments at cost totaling \$120,000. Investor information was evaluated for potential impairments as of year-end. No adjustment has been made to the carrying value.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Fair Value of Financial Instruments

In accordance with FASB ASC 820-10, the Foundation is required to measure the fair value of its assets and liabilities under a three-level hierarchy. The funds' investment advisors classified the fund's assets and liabilities into three levels based on the inputs used to value the assets or liabilities.

Level 1: Observation inputs from quoted market prices in active markets for identical assets as of the measurement date.

Level 2: Values are based on significant observable market inputs such as:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets in markets that are not active.
- c. Observable inputs other than quoted prices for the asset or liability.
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: In addition to observable inputs, values are partially based on significant *unobservable inputs* for the asset or liability and reflect the investment advisor's determination of assumptions that market participants might reasonably use in valuing the securities. Unobservable inputs should only be used to measure the fair value to the extent that observable inputs are not available. Valuation methodologies used include, but are not limited to, discounted cash flow analysis, comparable asset analysis, third party appraisals, third party pricing services, and other applicable indices.

The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investment. For example, U.S. government securities are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market. In accordance with FASB ASC 820-10, the Foundation's carrying amount of cash and cash equivalents and grants payable approximate fair value under Level 1. Investments are carried at fair value based on Level 1 and Level 2 observable inputs and are presented in Note 7. Fixed income securities, including short-term securities purchased with more than 60 days left to maturity, are generally valued at prices obtained from one or more pricing vendors. Management has elected to report all split-interest agreements at fair value based on the life expectancy of the beneficiary and the net present value of the expected cash flows using current discount rates. Agency funds are carried at fair value based on the underlying investments. Derivatives instruments are part of the investment pool and are measured at fair value based on Level 2 inputs. Certain of the Foundation's alternative investments use stock indices, swaps, options, convertible securities, and foreign currency exchange contracts, which are classified as derivatives. The Foundation does not use derivatives for speculative purposes or for leveraging returns, but rather these instruments are used with the objective of reducing overall portfolio risk and/or lowering the cost of investment management. Charitable Remainder Trusts are measured using Level 3 inputs, including present value rates based on estimated inflation. The Foundation believes that the carrying amount of its investments is a reasonable fair value as of December 31, 2023.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Notes to the Financial Statements

Investment Policy

Diversification of investments is one of the Investment Committee's primary strategies for fulfilling the Foundation's investment policy. Because the selection and weighting of asset classes greatly determines investment return and volatility, allocation methods for various asset classes have been established within the following ranges.

Equity Composite	50% - 80%
Private Assets	0% - 15%
Hedge Funds	0% - 15%
Cash & Cash Equivalents	10% - 30%

External investment managers, who are selected and overseen by the Foundation's Investment Committee, are retained to implement actual asset allocation and specific investment selections. Managers are required to operate within the Asset Allocation model.

The John T. and Jane A. Wiederhold Foundation operates as a supporting organization to the Foundation and maintains its own investment policy, which is on file at the Foundation.

Spending Policy

The Foundation's Spending Policy, which is determined annually by the Board of Directors, sets the year's spending as a percentage of the endowment assets based on a twelve trailing quarterly average. The Board can determine the spending rate from a range, with a minimum of 4.25% to a maximum of 5.75%, the normal target being 5.00%.

Property and Equipment

All acquisitions of property and equipment in excess of \$2,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets.

Furniture and Equipment	5-10 years
Computer Equipment and Software	3-5 years
Website	3 years

Right of Use Assets

Right to Use Lease Assets are recorded as a result of implementing ASC 842, *Leases*. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term less lease incentives and plus ancillary charges necessary to place the lease into service. The amortization is calculated as the difference between the straight-line lease expense and the interest calculated on the lease liability. The Foundation has elected to account for short-term leases by recognizing the payments on a straight-line basis over the term of the lease.

Compensated Absences

Vacation and personal days are considered expenditures in the year paid. Under current policy, employees use vacation time in the year earned and cannot carry forward time to the next fiscal year unless approved by the president. Compensated absences are not accrued as the liability is considered immaterial.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Notes to the Financial Statements

Contributions and Classification of Net Assets

Gifts of cash and other assets received are reported as revenue and net assets without donor restrictions, unless subject to time or purpose restrictions. When a donor's stipulated time or purpose ends, net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as restrictions satisfied by payment/scholarship. Restricted contributions are reported as increases to net assets without donor restrictions when restrictions expire (that is, when a stipulated restriction of time ends, or purpose is accomplished) in the reporting period that the contributions are reported as revenues.

Donations of land, buildings, equipment and other long-lived assets are also reported as revenue and net assets without donor restrictions, unless subject to time restrictions. Funds established by an unrelated not-for-profit organization using its own funds and for its own benefit are classified by the Foundation as a liability, rather than as a net asset, in accordance with FASB ASC 958-605, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others. The Foundation refers to such funds as agency funds. As described in Note 3, the Foundation maintains legal ownership of agency funds, and as such continues to report the funds as offsetting assets and liabilities. The changes in such agency funds are summarized in Note 6 "Transactions in Funds Held for Other Agencies."

Donated Assets

Donated marketable securities and other non-cash donations are generally recorded as contributions at their fair values at the date of donation. The Foundation holds a donation of stock, and the fair value is not readily determinable. The Foundation will evaluate whether events or changes in circumstances have occurred that may have a significant adverse effect of fair value.

Investment Income

Investment income includes interest and dividends earned on savings accounts, as well as any other form of investment income, such as realized and unrealized gains. Restricted gains and investment income whose restrictions are met in the same reporting period are reported as without restrictions.

Contract Related Administrative Fees

Revenue from contracts is derived from agreements with outside entities for grant-making services. Revenue is recognized over the term of the agreement as services are rendered.

Donated Services

No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the overall management and operation of the Foundation.

Grant Awards

Grant awards are recorded as expenses when approved by the Foundation and when grant terms do not include material conditions. Grants payable at year-end represent amounts awarded but unpaid, where the likelihood of non-payment is remote.

Advertising Expense

All advertising and marketing costs are expensed in the period incurred as any future economic benefit cannot be quantified.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Review for Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through May 15, 2024, which represents the date that these statements were available to be issued.

NOTE 2 – Availability and Liquidity

The Foundation's financial assets due within one year of the statement of financial position date for general expenditure are as follows:

Financial assets available to meet the cash needs for general expenditures within one year:

Cash & Cash Equivalents	\$ 1,345,593
less Amounts with Restrictions	<u>15,895</u>
Cash Available for current expenditures	<u><u>\$ 1,329,698</u></u>

The Foundation's endowment fund consists of a board designated endowment. The board designated endowment has a targeted spending rate of 5.0% as discussed in Note 1.

As part of its liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. Additionally, the Foundation has a quasi-endowment of \$139,630,347. Although the Foundation does not intend to spend from its investments other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

Appropriations of \$1,567,000 from the Board designated endowment will be available quarterly over the next 12 months and an additional \$150,000 is anticipated from the annual appeal.

NOTE – 3 DETAIL NOTES ON ASSETS, LIABILITIES, AND NET ASSETS

Cash and Cash Equivalents

At December 31, 2023, the carrying amounts of the Foundation's deposits were \$1,345,593 and the bank balance was \$1,476,880, of which the FDIC insured \$422,913. The remaining \$1,053,967 was uninsured.

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Notes to the Financial Statements

Contributions Receivable

The Foundation was named beneficiary of multiple estates and is expected, but is not guaranteed, to receive an additional \$3,177,000 during the next year. There are other estates where the Foundation is the named beneficiary, but the amount expected to be received and the terms of the payment have not been determined as of the date of these financial statements.

Other Receivables

Other receivables are stated at the amount management expects to collect on balances outstanding at year-end. The determination of when receivables past due, delinquent or to be written-off is done by the President. No allowance has been established at year-end.

Investments

The Foundation's investment assets are held in various accounts managed by multiple investment managers. Investment return on all investment pools consists of the following:

	<u>2023</u>	<u>2022</u>
Dividends and Interest	\$ 2,821,427	\$ 1,953,040
Net Realized and Unrealized Gain/(Loss) on Investments	13,917,971	(16,531,644)
Investment Management Fees	<u>(300,476)</u>	<u>(557,657)</u>
	<u>\$ 16,438,922</u>	<u>\$ (15,136,261)</u>

Fixed Assets

Fixed Assets consist of the following:

	<u>2023</u>	<u>2022</u>
Furniture and Fixtures	\$ 71,149	\$ 111,630
Leasehold Improvements	50,168	50,168
Computer Equipment and Software	31,731	86,745
Rebranding	22,748	37,242
Website	<u>19,255</u>	<u>26,926</u>
	195,051	312,711
Accumulated Depreciation	<u>(74,868)</u>	<u>(180,275)</u>
	<u>\$ 120,183</u>	<u>\$ 132,436</u>

Depreciation Expense was \$27,649 and \$14,523 for the years ended December 31, 2023, and 2022.

Grants Payable

As of December 31, grants payable are committed as follows:

	<u>2023</u>	<u>2022</u>
Due in one year or less	\$ 3,360,000	\$ 2,824,089
Due in one to five years	<u>9,000</u>	<u>408,400</u>
	<u>\$ 3,369,000</u>	<u>\$ 3,232,489</u>

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Notes to the Financial Statements

Right to Use Leased Asset - Lease Payable

The Foundation entered into a 10-year lease agreement for office space in a building which previously owned by an entity in which the Foundation President is a member. The building was sold during 2023, and the new owner has assumed the terms of the original lease, which calls for annual increases from 3% - 5%. The lease qualifies as other than short-term leases under ASC 842, and therefore, has been recorded at the present value of the future minimum lease payments. The agreement was entered into in April 2017 and requires monthly payments of \$3,625 through May and increased to \$3,837 for the remainder of the year. The lease was measured at a discount rate of 2.2% which is the daily treasury rate in June 2017. As a result of the lease, the Foundation has reported a right to use asset with a net book value of \$152,428 at December 31, 2023.

The lease includes an option to renew for two additional terms of 60 months beginning April 1, 2027, and April 1, 2032. Increases for each term are based on the CPI. The lease liability was based on the original lease term as the options to extend are not reasonably certain.

Lease Expenses of \$45,483 were recognized in 2023.

Annual Debt Service Payments on the Foundation's Operating Lease are as follows:

<u>Year</u>	<u>Lease Liability</u>	<u>Interest On Lease Liability</u>	<u>Total Lease Expense</u>
2024	\$ 43,932	\$ 2,516	\$ 46,448
2025	46,328	1,925	48,253
2026	49,393	878	50,271
2027	12,775	47	63,093
	<u>\$ 152,428</u>	<u>\$ 5,366</u>	<u>\$ 208,065</u>

Agency Endowment Funds

In accordance with ASC 958-605, funds received by the Foundation that have specified beneficiaries and have granted no variance power to the Foundation are reported as Agency Endowment Funds in the Statement of Financial Position. As of December 31, 2023, the Foundation held Agency Endowments totaling \$25,751,254. The changes in such agency funds are summarized in Note 6 "Transactions in Funds Held for Other Agencies."

Net Assets with Donor Restrictions

Net Assets with Donor Restrictions consist of the following:

	<u>2023</u>	<u>2022</u>
Youth Fund	\$ 5,057	\$ 4,807
Restricted for Initiatives	10,838	1,722
Restricted as to Time	120,000	120,000
Charitable Remainder Trusts, net	375,447	1,684,213
	<u>\$ 511,342</u>	<u>\$ 1,810,742</u>

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION

Notes to the Financial Statements

Net Assets Without Donor Restrictions - Board Designations

During 2020, the Board voted to support the Early Childhood Initiative. Additional funding has been provided by the Foundation to supplement other funding. The Alliance expends outside funding first, followed by funding provided by the Foundation. As of December 31, 2023, there was \$244,915 remaining.

NOTE 4 - BENEFICIAL INTEREST IN A PERPETUAL TRUST

The Foundation is the sole income beneficiary to an irrevocable perpetual trust, the assets of which are not in its possession. The Foundation has no legally enforceable rights or claims to such assets. The Foundation receives income distributions based on the fund's income after certain trust expenses.

NOTE 5 - CHARITABLE REMAINDER TRUSTS

The Foundation has elected to report charitable remainder trusts at fair value using level 3 inputs to reflect the amounts expected to be received. The Foundation is beneficiary of two charitable remainder trusts. One Unitrust requires 5% of the net fair market value of the trust assets to be paid to a beneficiary quarterly based on the value as of the first day of each taxable year. A liability valued at \$605,826 is reported for the present value of the future payments to be made to the beneficiary. The present values of the Foundation's portion are calculated using an AFR of 5.2%. The CRTs are valued at \$981,273 and \$2,074,136 at December 31, 2023, and 2022 and are reported as "Beneficial Interest in Remainder Trusts".

The total change in value of charitable remainder trusts included in the statement of activities was (\$1,308,766) and \$489,876 for the years ending December 31, 2023, and 2022, respectively.

NOTE 6 - TRANSACTIONS IN FUNDS HELD FOR OTHER AGENCIES

The financial effects of transactions related to agency endowment funds are recorded as changes in the funds held for agencies' liability and are not included in the statement of activities. The changes in that liability are summarized as follows:

	2023	2022
<u>Additions:</u>		
Contributions	\$ 1,052,385	\$ 1,014,132
Realized & Unrealized Gain/Loss	3,271,819	(2,830,310)
Interest & Dividends	562,084	108,473
Total Additions	<u>4,886,288</u>	<u>(1,707,705)</u>
<u>Deductions:</u>		
Grants	450,087	458,320
Fees Paid	226,675	327,592
Total Deductions	<u>676,762</u>	<u>785,912</u>
Change in Balance	4,209,526	(2,493,617)
Balance in Agency Endowment Funds, Beginning of Year	21,509,063	24,000,680
Contribution from Non Agency Funds	<u>32,665</u>	<u>2,000</u>
Balance in Agency Endowment Funds, End of Year	<u>\$ 25,751,254</u>	<u>\$ 21,509,063</u>

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

NOTE 7 - FAIR VALUE INFORMATION

<u>Description</u>	<u>December 31,</u> <u>2023</u>	<u>Quoted Prices</u> <u>in Active</u> <u>Markets for</u> <u>Identical Assets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>	<u>December 31,</u> <u>2022</u>
Cash & Cash Equivalents	\$ 3,274,393	\$ 2,422,623	\$ 851,770	\$ -	\$ 1,872,397
Domestic Stock	317,893	317,893	-	-	284,642
Corporate Bonds	93,521	93,521	-	-	92,092
Foreign Stock	10,527	10,527	-	-	8,005
Corporate Bond Funds	40,359	40,359	-	-	33,920
Governmental Bond Funds	363	363	-	-	455
Domestic Mutual Funds	14,327,847	14,327,847	-	-	67,359,100
Fixed Income Mutual Funds	28,495,574	28,495,574	-	-	15,719,618
International Mutual Funds	3,886,093	3,886,093	-	-	3,366,160
Equity Mutual Funds	86,790,660	86,790,660	-	-	-
Exchange Traded Funds	2,937,474	2,937,474	-	-	1,941,792
Commodity Funds	140,622	140,622	-	-	113,777
Hedge Funds	500,803	500,803	-	-	333,439
Interest in Community Foundation for Greater New Haven Managed Pool	-	-	-	-	31,035,068
Real Estate Investment Funds	7,733	7,733	-	-	6,500
Private Equity Funds	344,560	-	-	344,560	495,668
Total Investments	\$ 141,168,422	\$ 139,972,092	\$ 851,770	\$ 344,560	\$ 122,662,633
Beneficial Interest In					
Remainder Trusts	981,273	-	-	981,273	2,074,136
Perpetual Trust	239,569	239,569	-	-	224,643
Investments Reported at Fair Value	\$ 141,168,422				
Investments Reported at Cost		120,000			
Investments Reported on the Balance Sheet as:	\$ 141,288,422				

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Assets measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

The following is a summary of the changes in the balances of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs:

	<u>Investments</u>	<u>Trusts</u>
Balance, beginning of year	\$ 495,667	\$ 2,074,136
Total gains or losses (realized and unrealized) included in the change in net assets	(151,078)	(1,308,766)
Sales	(8,441)	-
Purchases	8,412	-
Transfers in and/or out of Level 3	<u>-</u>	<u>215,903</u>
Balance, end of year	<u>\$ 344,560</u>	<u>\$ 981,273</u>

The Amount of Gains for the Period Included in Changes in Net Assets Attributable to the Change in Unrealized Gains Relating to Assets Held at Year-End

(151,078)

The Amount Reported as Change in Value of Split-Interest Agreements Relating to Assets Held at Year-End

(1,308,766)

NOTE 8 – ENDOWMENT FUNDS

Endowment Net Asset composition as of December 31, 2023, is as follows:

	<u>Without donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Assets</u>
Board-Designated Endowment Funds	\$ 139,134,900	\$ -	\$ 139,134,900
Donor Restricted	<u>-</u>	<u>495,447</u>	<u>495,447</u>
Total Funds	<u>\$ 139,134,900</u>	<u>\$ 495,447</u>	<u>\$ 139,630,347</u>

NORTHWEST CONNECTICUT COMMUNITY FOUNDATION
Notes to the Financial Statements

Changes in Endowment Assets as of December 31, 2022 are as follows:

	Without Donor Restrictions	With donor Restrictions	Total Endowment Assets
Endowment Assets at 12/31/22	\$ 121,644,010	\$ 1,804,213	\$ 123,448,223
Change in Agency Endowments	4,242,191	-	4,242,191
Contributions	3,356,604	-	3,356,604
Investment Return	16,438,922	(1,308,766)	15,130,156
Amounts Appropriated for Expenditure	<u>(6,546,827)</u>	<u>-</u>	<u>(6,546,827)</u>
Endowment Assets at 12/31/23	<u>\$ 139,134,900</u>	<u>\$ 495,447</u>	<u>\$ 139,630,347</u>

NOTE 9 – FUNCTIONAL EXPENSE ALLOCATION METHOD

The financial statements identify classifications of expenses that are allocated according to the function, program or operational obligation to which they apply. All expenses are allocated on an analytical and consistent basis. Expenses, except for those noted below, are allocated according to time and effort.

Other expenses, including Grants, Initiatives, Discretionary Fund, and Non-Profit Educational Seminars are allocated 100% to program. Expenses pertaining to the Annual Appeal are allocated 100% to fundraising. Conferences are allocated to Management and General.

NOTE 10– RETIREMENT PLAN

The Foundation adopted a 401K plan whereby employee contributions were matched up to 3%. Total payments made during the years 2023 and 2022 were \$46,088 and \$41,930.