

**Fairfield County's
Community Foundation, Inc.**

Financial Statements

June 30, 2014 and 2013

Independent Auditors' Report

The Board of Directors Fairfield County's Community Foundation, Inc.

We have audited the accompanying financial statements of Fairfield County's Community Foundation, Inc. (the "Community Foundation"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fairfield County's Community Foundation, Inc. as of June 30, 2014 and 2013 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

O'CONNOR DAVIES, LLP

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary Schedule of Functional Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

O'Connor Davies, LLP

Stamford, Connecticut
September 25, 2014

Fairfield County's Community Foundation, Inc.

Statements of Financial Position

	June 30,	
	2014	2013
ASSETS		
Cash and cash equivalents	\$ 417,802	\$ 249,459
Contributions and other receivables	2,303,285	2,305,483
Investments	178,338,117	157,006,685
Split-interest agreements	73,540	271,444
Other assets	141,667	137,946
	\$ 181,274,411	\$ 159,971,017
 LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 1,264,264	\$ 2,280,022
Accounts payable and other liabilities	177,450	235,333
Liability under split-interest agreements	19,088	20,249
Deferred rent payable	119,228	122,634
Agency funds	9,425,562	8,201,513
Total Liabilities	11,005,592	10,859,751
 Net Assets		
Unrestricted		
Undesignated	1,737,830	1,589,625
Board designated	3,261,878	3,069,725
Total Unrestricted Net Assets	4,999,708	4,659,350
 Temporarily restricted		
Donor advised funds	74,593,173	66,187,722
Discretionary funds	54,658,687	46,480,504
Designated funds	17,996,951	16,142,969
Scholarships funds	17,965,848	15,389,526
Split-interest agreements	54,452	251,195
Total Temporarily Restricted Net Assets	165,269,111	144,451,916
Total Net Assets	170,268,819	149,111,266
	\$ 181,274,411	\$ 159,971,017

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Statement of Activities

Year Ended June 30, 2014

(with summarized totals for the year ended June 30, 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
REVENUES				
Contributions	\$ 2,304,962	\$ 11,889,041	\$ 14,194,003	\$ 11,803,296
Investment return, net of expenses	469,869	21,101,297	21,571,166	18,108,050
Change in value of split-interest agreements	-	(196,741)	(196,741)	51,626
Other income	298,042	-	298,042	191,004
Net assets released from restrictions	11,976,402	(11,976,402)	-	-
Total Revenues	<u>15,049,275</u>	<u>20,817,195</u>	<u>35,866,470</u>	<u>30,153,976</u>
EXPENSES				
Program				
Grants				
Donor advised	7,538,395	-	7,538,395	15,156,872
Designated	382,832	-	382,832	330,639
Scholarships	672,831	-	672,831	603,711
Discretionary				
Arts	224,000	-	224,000	239,700
Capacity building	62,195	-	62,195	68,036
Economic opportunity	628,575	-	628,575	449,500
Education	811,215	-	811,215	556,634
Environment	75,790	-	75,790	80,000
Health & human services	270,694	-	270,694	362,886
Women and girls	320,465	-	320,465	438,630
Total Discretionary Grants	<u>2,392,934</u>	<u>-</u>	<u>2,392,934</u>	<u>2,195,386</u>
Total Grants	10,986,992	-	10,986,992	18,286,608
Grants services and community initiatives	1,255,984	-	1,255,984	1,171,932
Philanthropic advisory services	833,264	-	833,264	807,535
Total Program Expenses	<u>13,076,240</u>	<u>-</u>	<u>13,076,240</u>	<u>20,266,075</u>
Supporting Services				
Management and administration	866,309	-	866,309	640,996
Fundraising	766,368	-	766,368	618,588
Total Supporting Services	<u>1,632,677</u>	<u>-</u>	<u>1,632,677</u>	<u>1,259,584</u>
Total Expenses	<u>14,708,917</u>	<u>-</u>	<u>14,708,917</u>	<u>21,525,659</u>
Change in Net Assets	340,358	20,817,195	21,157,553	8,628,317
NET ASSETS				
Beginning of year	4,659,350	144,451,916	149,111,266	140,482,949
End of year	<u>\$ 4,999,708</u>	<u>\$ 165,269,111</u>	<u>\$ 170,268,819</u>	<u>\$ 149,111,266</u>

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Statement of Activities

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions	\$ 2,779,464	\$ 9,023,832	\$ 11,803,296
Investment return, net of expenses	340,188	17,767,862	18,108,050
Change in value of split-interest agreements	-	51,626	51,626
Other income	28,159	162,845	191,004
Net assets released from restrictions	19,527,541	(19,527,541)	-
Total Revenues	22,675,352	7,478,624	30,153,976
EXPENSES			
Program			
Grants			
Donor advised	15,156,872	-	15,156,872
Designated	330,639	-	330,639
Scholarships	603,711	-	603,711
Discretionary			
Arts	239,700	-	239,700
Capacity building	68,036	-	68,036
Economic opportunity	449,500	-	449,500
Education	556,634	-	556,634
Environment	80,000	-	80,000
Health & human services	362,886	-	362,886
Women and girls	438,630	-	438,630
Total Discretionary Grants	2,195,386	-	2,195,386
Total Grants	18,286,608	-	18,286,608
Grants services and community initiatives	1,171,932	-	1,171,932
Philanthropic advisory services	807,535	-	807,535
Total Program Expenses	20,266,075	-	20,266,075
Supporting Services			
Management and administration	640,996	-	640,996
Fundraising	618,588	-	618,588
Total Supporting Services	1,259,584	-	1,259,584
Total Expenses	21,525,659	-	21,525,659
Change in Net Assets	1,149,693	7,478,624	8,628,317
NET ASSETS			
Beginning of year	3,509,657	136,973,292	140,482,949
End of year	\$ 4,659,350	\$ 144,451,916	\$ 149,111,266

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Statements of Cash Flows

	Years Ended June 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 21,157,553	\$ 8,628,317
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	2,804	9,779
Net gain on investments	(20,325,708)	(16,555,232)
Net loss (gain) on split-interest agreements	196,741	(51,626)
Change in operating assets and liabilities		
Contributions and other receivables	2,198	(303,678)
Other assets	(6,525)	(16,697)
Grants payable	(1,015,758)	35,716
Deferred rent payable	(3,406)	-
Accounts payable and other liabilities	(57,881)	129,347
Net Cash from Operating Activities	(49,982)	(8,124,074)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(53,189,802)	(37,689,247)
Proceeds from disposition of investments	52,184,078	44,731,130
Purchases of furniture and equipment	-	(12,851)
Net Cash from Investing Activities	(1,005,724)	7,029,032
CASH FLOWS FROM FINANCING ACTIVITIES		
Additions to agency funds	1,800,299	1,201,048
Reductions in agency funds	(576,250)	(405,245)
Net Cash from Financing Activities	1,224,049	795,803
Net Change in Cash and Cash Equivalents	168,343	(299,239)
CASH AND CASH EQUIVALENTS		
Beginning of year	249,459	548,698
End of year	\$ 417,802	\$ 249,459

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2014 and 2013

1. The Community Foundation

Fairfield County's Community Foundation, Inc., (the "Community Foundation") advances philanthropy to build and sustain a vital and prosperous community where all have the opportunity to participate and thrive. As the region's center of philanthropy, the Community Foundation provides:

- **Grants services and community initiatives** which include leadership and other training to local nonprofits, research on nonprofits and causes, due diligence and consultation with agencies, monitoring and evaluation of grant programs and strategic initiatives that address key regional issues.
- **Philanthropic advisory services** and financial stewardship to donors and partners which includes the education of donors and the public about philanthropy, community needs and charitable giving issues as well as support for donor grant making efforts.

The Community Foundation is a qualifying non-profit organization as defined in Section 501(c) (3) of the Internal Revenue Code. Accordingly, the Community Foundation is exempt from federal and state income taxes. Contributions made to the Community Foundation qualify for the maximum allowable deduction under the Internal Revenue Code.

2. Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Community Foundation is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, net assets of the Community Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets – These net assets are defined as assets that are free of donor-imposed restrictions and include all investment income and appreciation not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – These net assets include contributions, unconditional promises to give and other inflows of assets whose use by the Community Foundation is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Community Foundation. This classification includes investment income and appreciation, which can be expended when the applicable restrictions are met. Included in the temporarily restricted net assets are charitable remainder unit trusts, and contributions receivable. This classification also includes accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2014 and 2013

2. Significant Accounting Policies (continued)

Basis of Presentation (continued)

Temporarily Restricted Net Assets - continued

The Community Foundation's temporarily restricted net assets include the following:

Donor Advised – funds which allow the donor advisors to make recommendations to the Board of Directors regarding grants to charities.

Discretionary – funds which allow the Community foundation's Board of Directors to use its discretion to award grants that respond to either critical community needs or needs within a particular area of charitable interest.

Designated – funds allow donors to support specific organizations they identify in their fund agreements.

Scholarship – funds that provide financial assistance to support students' educational needs.

Split Interest Agreements – irrevocable charitable remainder trusts (CRUTS)

The Community Foundation does not have any permanently restricted net assets.

Endowment Fund Management and Variance Power

To ensure observation of limitations and restrictions placed on the use of resources available to the Community Foundation, the funds of the Community Foundation are managed as individual charitable funds, according to their nature and purpose. Endowment funds are subject to the restriction of the gift instruments. Endowment and other funds are subject to both variance power and limited invasion of corpus power. The Board of Directors has adopted a policy describing the criteria and limited circumstances under which the Community Foundation would exercise these powers.

Fair Value Measurements

The Community Foundation follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist. The input or methodology used for valuation of securities is not necessarily an indication of the risk associated with investing in those securities.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2014 and 2013

2. Significant Accounting Policies (*continued*)

Investments Valuation

Investments are carried at fair value. Investments in publicly traded equity and debt securities are carried at fair value based upon quoted market prices. Mutual funds are carried at the daily reported Net Asset Value ("NAV"). Certificates of deposit are carried at cost plus accrued interest which approximates fair value. The fair value of alternative investments has been estimated using the NAV as reported by the management of the respective alternative investment fund. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Community Foundation's interest therein and their classification within Level 2 or 3 is based on the Community Foundation's ability to redeem its interest in the near term. 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 investment had been in existence, and the difference could be material. Considerable judgment is required to interpret the factors used to develop estimates of fair value.

Investment Income Recognition

The Community Foundation maintains pooled investment accounts for most of its funds. Interest, dividends, investment expenses and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to all of the donor funds in each pool based on the relationship of the market value of each fund to the total market value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Cash and Cash Equivalents

The Community Foundation considers all highly liquid investments with a maturity of three months or less at the time of purchase that are utilized for operations, to be cash equivalents.

Split-Interest Agreements

Split-interest agreements consist of assets placed in trust for the benefit of the Community Foundation and 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, net of a liability for the present value of future cash outflows to the beneficiaries. The liability is adjusted during the term of the agreement for changes in actuarial assumptions. The asset "split interest agreement" is valued at fair value each reporting period using level 2 inputs.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2014 and 2013

2. Significant Accounting Policies (*continued*)

Other Assets

Other assets consist of the cash surrender value on life insurance policies and property and equipment recorded at cost which is being depreciated using the straight-line method over the useful lives of the assets which range from three to ten years.

Agency Funds

The Community Foundation receives and distributes assets under certain agency fund agreements with unrelated organizations. Amounts received and distributed under these relationships totaled \$485,102 and \$455,004 in 2014 and \$123,635 and \$275,910 in 2013.

Contributions

Contributions received, including unconditional pledges, are recognized as increases in net assets in the period received at fair value. Contributions stipulated by the donor to be used for certain purposes are released from restriction as the donor stipulated purposes are fulfilled. No allowance for doubtful accounts has been provided as management has deemed that all receivables are collectible.

Contributed Services

A substantial number of volunteers have donated their time to the Community Foundation's programs and supporting services. These contributed services did not meet the requirements for recognition in the financial statements for the years ended June 30, 2014 and 2013.

Grants

All grants made are in accordance with the terms of the various governing instruments and are subject to the approval of the Board and are recorded when approved.

Rent Expense

Rent expense under operating leases is recognized on a straight-line basis over the life of the underlying lease. Any difference between the amount expensed and the amount due and payable in accordance with the terms of the lease is recorded as deferred rent payable.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2014 and 2013

2. Significant Accounting Policies (*continued*)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates and assumptions relate to the determination of the fair value of alternative investments, the allowance for doubtful accounts and contributions receivable, allocation of functional expenses and depreciation of property and equipment. Actual results could differ from those estimates.

Accounting of Uncertainty in Income Taxes

The Community Foundation recognizes the effect of income tax positions when they are more likely than not to be sustained. Management has determined that the Community Foundation had no uncertain tax positions that would require financial statement recognition or disclosure. The Community Foundation is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to fiscal 2011.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date these financial statements were available to be issued, which date is September 25, 2014.

3. Credit Risk Concentration

Financial instruments that potentially subject the Community Foundation to significant concentrations of credit risk consist principally of cash, cash equivalents, contributions receivable and investments. At times, cash balances held at financial institutions were in excess of Federally insured limits. The Community Foundation believes that no significant concentration of credit risk exists with respect to contributions receivable. Concentration of credit risk with respect to investments is reduced by diversification, professional management, and limited exposure to any single investment.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements June 30, 2014 and 2013

4. Investments and Investment Return

Investments at June 30, categorized according to fair value hierarchy for those investments carried at fair value are summarized as follows:

Description	2014			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 4,438,920	\$ 194,800	\$ -	\$ 4,633,720
Equity securities	37,885,960	-	-	37,885,960
Equity mutual funds	4,806,110	-	-	4,806,110
U. S. Government securities	2,958,404	2,394,068	-	5,352,472
Corporate bonds	-	281,823	-	281,823
Alternative investments				
Small Cap Equity	-	8,557,986	30,426	8,588,412
Non-U.S. Developed Equity	-	30,600,316	-	30,600,316
Non-U.S. Emerging Markets Equity	-	-	8,176,911	8,176,911
Non-U.S. Bonds	-	7,735,206	-	7,735,206
Fund of Funds Composite	-	-	31,457,996	31,457,996
Direct Multi Strategy Hedge Funds	-	-	10,941,248	10,941,248
Direct Long / Short Equity Hedge Funds	-	-	17,751,491	17,751,491
Private Equity	-	-	2,125,151	2,125,151
Direct Real Estate	-	-	3,526,848	3,526,848
Total Investments at Fair Value	<u>\$ 50,089,394</u>	<u>\$ 49,764,199</u>	<u>\$ 74,010,071</u>	173,863,664
	<u>28%</u>	<u>28%</u>	<u>44%</u>	
Certificates of deposit				<u>4,474,453</u>
Total Investments				<u>\$ 178,338,117</u>

Description	2013			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 3,905,321	\$ 219,859	\$ -	\$ 4,125,180
Equity securities	41,669,102	-	60,000	41,729,102
Equity mutual funds	7,987,181	-	-	7,987,181
U. S. Government securities	4,061,729	1,313,524	-	5,375,253
Corporate bonds	-	4,011,096	-	4,011,096
Fixed income mutual funds	6,915,974	-	-	6,915,974
Alternative investments				
Small Cap Equity	-	7,239,753	45,049	7,284,802
Non-U.S. Developed Equity	-	24,942,571	-	24,942,571
Non-U.S. Emerging Markets Equity	-	-	8,293,138	8,293,138
Non-U.S. Bonds	-	7,248,947	-	7,248,947
Fund of Funds Composite	-	-	17,095,462	17,095,462
Direct Multi Strategy Hedge Funds	-	-	3,789,952	3,789,952
Direct Long / Short Equity Hedge Funds	-	-	3,558,163	3,558,163
Real Assets / Commodities	-	4,169,067	-	4,169,067
Private Equity	-	-	2,153,980	2,153,980
Direct Real Estate	-	-	3,866,795	3,866,795
Total Investments at Fair Value	<u>\$ 64,539,307</u>	<u>\$ 49,144,817</u>	<u>\$ 38,862,539</u>	152,546,663
	<u>43%</u>	<u>32%</u>	<u>25%</u>	
Certificates of deposit				<u>4,460,022</u>
Total Investments				<u>\$ 157,006,685</u>

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2014 and 2013

4. Investments and Investment Return (continued)

Investment assets valued using Level 2 and 3 inputs include investments such as fully transparent commingled funds that include publicly traded securities, hedge funds, private equity funds, real estate funds and funds of funds. These assets are valued based on the Community Foundation's proportionate share of net assets at the valuation date (net asset value). The ownership interests in these items are valued based on the fair values of the funds; interests of the underlying assets and may consider other factors such as ownership percentage, ownership rights, and distribution provisions. The underlying holdings within these funds include different types of investment strategies with various liquidity restrictions.

Investment liquidity is used to identify Level 2 and Level 3 alternative investments as follows as of June 30:

	Level 2	Level 3	Unfunded Commitments
Redeemable monthly and quarterly with 5 - 95 days written notice	\$ 46,893,508	\$ 26,251,507	\$ -
Redeemable between 92 days and one year with 45 - 95 days written notice	-	25,515,400	-
Redeemable from one to three years with 45 - 105 days written notice	-	16,591,165	-
Illiquid with return of capital beginning 5 to 10 years from purchase date	-	5,651,999	3,321,000
	\$ 46,893,508	\$ 74,010,071	\$ 3,321,000

The following is a reconciliation of Level 3 investments during the years ended June 30:

	2014	2013
Beginning balance	\$ 38,862,539	\$ 35,367,267
Realized gains included in investment return	367,093	165,504
Unrealized gains on investments held as of year end included in investment return	2,894,899	4,638,805
Purchases and contributed investments	36,640,000	7,428,218
Redemption and distributions	(4,754,460)	(8,737,255)
Ending balance	\$ 74,010,071	\$ 38,862,539

There were no reclassifications between Level 2 and Level 3 investments during years ended June 30, 2014 and 2013.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2014 and 2013

4. Investments and Investment Return (*continued*)

The Community Foundation utilizes a total return investment approach with its asset allocation diversified over multiple asset classes. Investments are managed by independent fund managers under guidelines established by the Board of Directors and executed by the Investment Committee.

Investment return on the total portfolio for the years ended June 30, is as follows:

	<u>2014</u>	<u>2013</u>
Realized gains, net	\$ 9,546,587	\$ 3,709,167
Unrealized gains, net	10,779,121	12,846,065
Interest and dividends	<u>2,268,350</u>	<u>2,407,865</u>
	22,594,058	18,963,097
Less investment expenses	<u>(1,022,892)</u>	<u>(855,047)</u>
	<u>\$ 21,571,166</u>	<u>\$ 18,108,050</u>

5. Contributions and Other Receivables

Contributions and other receivables at June 30, consist of the following:

	<u>2014</u>	<u>2013</u>
Contributions	\$ 2,256,990	\$ 2,222,624
Interest and dividends receivable	<u>46,295</u>	<u>82,859</u>
	<u>\$ 2,303,285</u>	<u>\$ 2,305,483</u>

Contributions receivable include a receivable from an estate trust which totaled \$2,194,000 and \$1,956,000 as of June 30, 2014 and 2013. The amount is based upon the Community Foundation's estimated share of the trust assets at fair value. The receivable is expected to be received upon final liquidation of the assets.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2014 and 2013

6. Endowment

The Community Foundation's endowment consists of 571 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CUPMIFA) as allowing the Community Foundation to appropriate for expenditures or accumulate so much of the donor-restricted endowment fund as the Community Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established, subject to the intent of the donors as expressed in their gift instruments. The assets in the endowment funds are classified as donor-restricted assets until appropriated for expenditure by the Board of Directors.

In accordance with U.S. GAAP guidance, donor-restricted endowment funds subject to the limited invasion of corpus over time may be an endowment fund within the meaning of CUPMIFA, but are not a permanent endowment fund subject to classification within permanently restricted net assets. A significant portion of the Community Foundation's endowment funds, as authorized under the Community Foundation's governing documents and gift instruments, are held subject to both variance power and limited invasion of corpus power and, as such, are classified as temporarily restricted net assets.

Endowment Net Assets and Changes for the Fiscal Year Ended June 30, 2014:

	Unrestricted Board Designated	Temporarily Restricted	Total
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets, beginning of year	\$ 3,069,725	\$ 144,451,916	\$ 147,521,641
Investment return, net of expenses	429,983	21,101,297	21,531,280
Appropriation of endowment assets for expenditure	(1,131,162)	(11,976,402)	(13,107,564)
Contributions	810,391	11,889,041	12,699,432
Change in value of split interest agreements	-	(196,741)	(196,741)
Other income	<u>82,941</u>	<u>-</u>	<u>82,941</u>
Endowment net assets, end of year	<u>\$ 3,261,878</u>	<u>\$ 165,269,111</u>	<u>\$ 168,530,989</u>

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2014 and 2013

6. Endowment (continued)

Endowment Net Assets and Changes for the Fiscal Year Ended June 30, 2013:

	Unrestricted Board Designated	Temporarily Restricted	Total
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets, beginning of year	\$ 1,942,145	\$ 136,973,292	\$ 138,915,437
Investment return, net of expenses	290,415	17,767,862	18,058,277
Appropriation of endowment assets for expenditure	(743,119)	(19,527,541)	(20,270,660)
Contributions	1,557,974	9,023,832	10,581,806
Change in value of split interest agreements	-	51,626	51,626
Other income	<u>22,310</u>	<u>162,845</u>	<u>185,155</u>
Endowment net assets, end of year	<u>\$ 3,069,725</u>	<u>\$ 144,451,916</u>	<u>\$ 147,521,641</u>

Description of Amounts Classified as Temporarily Restricted Net Assets (Endowment Only) as of June 30 are as follows:

	<u>2014</u>	<u>2013</u>
Temporarily restricted net assets:		
Endowment funds	\$ 165,214,659	\$ 144,200,721
Split-interest agreements	<u>54,452</u>	<u>251,195</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ 165,269,111</u>	<u>\$ 144,451,916</u>

Return Objectives and Risk Parameters

The Community Foundation has adopted investment and spending policies that provide a predictable stream of funding for its programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Community Foundation must hold for donor-specified periods as well as board-designated funds.

Strategies Employed for Achieving Objectives

The Community Foundation uses a total return strategy to achieve investment returns through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Community Foundation targets a diversified asset allocation among equity, debt, and alternative investments that balances growth, income and liquidity and targets a return in line with the Community Foundation's spending policy goals to support current and changing charitable needs in the community.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2014 and 2013

6. Endowment (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Community Foundation's spending policy is administered in accordance with the CUPMIFA and based on the total return concept, which emphasizes investment income and realized and unrealized gains and losses on its investment portfolio. The policy applies to all of the Community Foundation's funds unless the donor has expressed a different intent. The Community Foundation's spending policy is 5% of the previous 12 quarterly average portfolio market values, reviewed and approved annually by the Board of Directors. The spending rate includes the Community Foundation's administrative fee and grants.

7. Employee Benefit Plan

Eligible employees may participate in a Simplified Employee Plan (SEP). The Community Foundation elects to make contributions to the SEP at its discretion. In April 2011, the Community Foundation adopted a 403(b) thrift plan to provide retirement benefits for employees. The Foundation contributes 5% of the employee's base salary for all employees. Contributions are effective on employment and vesting of the Community Foundation's contributions occurs when the employee has completed one year of service. During the years ended June 30, 2014 and 2013, the Community Foundation contributions totaled \$95,366 and \$82,837. Employees may elect to make deferred voluntary contributions to the 403(b) thrift plan.

8. Lease Commitment

The Community Foundation leases its office space and certain equipment under operating leases expiring through April 2018. Future minimum payments due under such lease at June 30, 2014 are payable as follows:

2015	\$	336,354
2016		337,367
2017		354,399
2018		<u>295,732</u>
	\$	<u>1,323,852</u>

For the years ended June 30, 2014 and 2013, office rental expense was \$349,916 and \$354,106.

The Community Foundation maintains an irrevocable transferable letter of credit agreement with a bank that allows for drawdowns of up to \$102,716 by the landlord. The letter of credit expired on January 23, 2013. It is the condition of the letter that it shall automatically be extended and renewed for additional periods of one year through March 31, 2018 which is the final expiration date of this letter of credit. The Community Foundation maintains the unconditional, irrevocable letter of credit in lieu of a cash security deposit with their landlord, as set forth by the terms of the lease agreement.

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**Fairfield County's
Community Foundation, Inc.**

Supplemental Information

June 30, 2014

Fairfield County's Community Foundation, Inc.

Schedule of Functional Expenses
(with summarized totals for the year ended June 30, 2013)

Year Ended June 30, 2014

	Grants	Grants services and community initiatives	Philanthropic advisory services	Total Program Expenses	Management and administration	Fundraising	Total Supporting Services	Total	Year Ended June 30, 2013 - Total
EXPENSES									
Grants made	\$ 10,986,992	\$ -	\$ -	\$ 10,986,992	\$ -	\$ -	\$ -	\$ 10,986,992	\$ 18,286,608
Salaries and related expense	-	771,913	553,318	1,325,231	580,643	371,156	951,799	2,277,030	1,990,520
Program initiative expenses	-	52,075	37,328	89,403	39,172	25,039	64,211	153,614	75,758
Professional fees	-	156,640	70,803	227,443	69,695	47,493	117,188	344,631	299,668
Information technology	-	22,948	17,918	40,866	17,262	11,034	28,296	69,162	53,588
Occupancy and related expenses	-	128,632	92,205	220,837	96,759	61,850	158,609	379,446	383,440
Office related expenses	-	46,083	29,837	75,920	16,404	20,014	36,418	112,338	111,277
Fundraising expense	-	24,437	-	24,437	12,255	208,414	220,669	245,106	223,997
Promotions and development	-	4,589	11,069	15,658	-	7,425	7,425	23,083	19,076
Meetings and conferences	-	42,614	16,446	59,060	19,832	11,032	30,864	89,924	53,943
Travel	-	5,019	3,598	8,617	3,776	2,413	6,189	14,806	11,086
Insurance	-	84	61	145	6,683	41	6,724	6,869	6,145
Depreciation	-	950	681	1,631	715	457	1,172	2,803	9,779
Other	-	-	-	-	3,113	-	3,113	3,113	774
Year Ended June 30, 2014	<u>\$ 10,986,992</u>	<u>\$ 1,255,984</u>	<u>\$ 833,264</u>	<u>\$ 13,076,240</u>	<u>\$ 866,309</u>	<u>\$ 766,368</u>	<u>\$ 1,632,677</u>	<u>\$ 14,708,917</u>	<u>\$ 21,525,659</u>
Year Ended June 30, 2013	<u>\$ 18,286,608</u>	<u>\$ 1,171,932</u>	<u>\$ 807,535</u>	<u>\$ 20,266,075</u>	<u>\$ 640,996</u>	<u>\$ 618,588</u>	<u>\$ 1,259,584</u>	<u>\$ 21,525,659</u>	

See independent auditors' report